FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND OCTOBER 17/OCTOBER 18 1992 — D8523A

Poor US figures deal double blow to Bush

George Bush's administration took a double buffeting yesterday with news of a surge in the US trade deficit and a drop in industrial production. Official figures showed the trade deficit soaring to $9bn (£5.2bn) in August, with exports taking their steepest drop for five years. Adding to the gloom, September's industrial production showed a fall for the second month running. Page 3

Nigeria cancels polls: Nigeria's military government cancelled the results of last month's fraud-riddled presidential primary elections and dissolved the leaderships of the country's two civilian parties, state radio said.

Iraq case investigator named: US attorney-general William Barr named a Justice Department special counsel to review a "loans to Iraq" case which has become a political embarrassment to President Bush. The Democratic party has alleged an administration cover-up.

General Motors, troubled US automotive group, expects to report third-quarter losses at least 20 per cent lower than the $1.06bn deficit of July-September 1991. Page 14

Nobel prize for Guatemalan campaigner: Guatemalan Indian leader Rigoberta Menchu Tum was named 1992 Nobel Peace prizewinner for her human rights campaigning. The Norwegian Nobel Committee said she stood out "as a vivid symbol of peace and reconciliation across ethnic, cultural and social dividing lines". Her mother, father and brother were killed for their involvement in indigenous rights movements. Rigoberta Menchu, 33, has been living in exile in Mexico for 11 years. Page 4

Spain wants delay: Spain would like production of the European Fighter Aircraft delayed for "years", although Madrid has told its EFA partners that it still wants to pursue the project. Page 6

Banks to merge: North-eastern Japanese regional banks Ugo Bank and Akita Akebono are to merge – a pattern likely to be followed elsewhere in the country. Page 14

EC deal on maternity leave: European Community governments agreed rules that will guarantee women across the EC 14 weeks' maternity leave at a minimum of statutory sick pay. Italy relented after blocking the plan until the last minute.

Chernobyl restarted: One reactor was restarted at the Chernobyl nuclear power station in Ukraine, site of the world's worst nuclear accident in 1986. Another will be restarted next month to ensure winter energy supplies. The whole plant is still due to go out of service by the end of next year.

Aircraft checks urged: The Netherlands is asking the US to order urgent metal fatigue checks on Boeing 747s with Pratt & Whitney engines – the type of aircraft involved in the disastrous crash in Amsterdam on October 4.

Japanese explosion: Nine people were killed and eight injured east of Tokyo when a big oil refinery exploded. Fuji Oil's Sodegaura refinery was shut down after the blast.

Geiger counter check: Swiss customs posts are using Geiger counters to help halt illegal nuclear imports. In August four Poles inadvertently brought radioactive Caesium 137 into Switzerland, and last week a Polish gang was caught in Germany trying to sell a stolen Russian warhead.

Moral dilemma: German doctors, politicians and theologians are divided over the fate of a brain-dead pregnant woman who is being kept alive artificially until her the expected birth of her child in five month. The woman's brain stopped functioning after she was admitted to hospital last week suffering injuries from a car crash.

Duchess sues for $4m: The Duchess of York and her friend John Bryan are suing a French photographic agency and magazine for more than $4m in Paris over pictures showing her topless at a holiday villa. A ruling on the action, brought under French privacy laws, is expected next month.

■ STOCK MARKET INDICES		
FT-SE 100:	2,583.9	(+17.3)
Yield	4.69	
FT-SE Eurotrack 100	996.54	(+10.15)
FT-A All-Share	1,208.32	(+0.6%)
Nikkei	17,369.81	(−258.68)
New York: lunchtime		
Dow Jones Ind Ave	3,146.58	(−28.10)
S&P Composite	408.83	(−1.57)
■ US LUNCHTIME RATES		
Federal Funds:	3%	
3-mo Treas Bills: Yld	2.941%	
Long Bond	96 9/16	
Yield	7.534%	
■ LONDON MONEY		
3-mo Interbank	8 1/8%	(8 11/16%)
Liffe long gilt future:	Dec 98 21/32	(Dec 97 3/16)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Dec)	$20.8	(20.85)
■ Gold		
New York Comex (Oct)	$342.4	(341.0)
London	$342.45	(342.0)

■ STERLING		
New York lunchtime:		
$	1.64925	
London:		
$	1.657	(1.7015)
DM	2.4475	(2.4825)
FFr	8.31	(8.3725)
SFr	2.185	(2.2)
Y	198.5	(204.5)
£ Index	80.7	(81.8)
■ DOLLAR		
New York lunchtime:		
DM	1.48035	
FFr	5.029	
SFr	1.32085	
Y	119.83	
London:		
DM	1.4765	(1.4475)
FFr	5.015	(4.92)
SFr	1.3185	(1.293)
Y	119.8	(120.25)
$ Index	61.7	(61.3)
Tokyo close Y 120.53		

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Major faces premiership crisis as MPs threaten Commons revolt over pit closures

Rate cut fails to calm coal storm

By Philip Stephens and Ralph Atkins

MR JOHN MAJOR was struggling last night to weather the most severe crisis of his premiership after a 1 percentage point cut in interest rates to 8 per cent failed to calm the storm of protest against British Coal's drastic pit closure plan.

After Conservative MPs threatened defeat for the government on the closures when the House of Commons returns next week, the prime minister signalled a second olive branch to his critics by promising a new package of training measures for the 31,000 miners facing unemployment.

But as some of the government's own supporters privately endorsed opposition charges that Mr Major had been panicked into ordering the interest rate cut, ministers were acknowledging that the government faced one of the roughest periods in British politics since the late 1970s.

In a stark warning of the task the government faces to head off a revolt over pit closures in Wednesday's coal debate, Sir Marcus Fox, a barometer of backbench opinion in his role as chairman of the 1922 committee of Conservative MPs, said the plan's scale was "unacceptable" and had "incensed" colleagues.

With their anxieties over the economy only partly cheered by the rate cut, the number of Tory MPs publicly questioning the coal proposals easily exceeds the 11 needed to overturn the government's Commons majority of 21 – and some rebels were last night predicting victory.

In Birmingham last night, Mr Major ruled out a reprieve for the threatened pits, justifying the closure decision by saying "the fact was we simply could not ignore reality". He said stockpiles of unwanted coal had been costing the government £100m a month, a burden that was unsustainable when there was no prospect of the coal finding a market.

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With the cabinet committed to cuts in public spending programmes which are likely to lead to further large-scale redundancies in the defence and construction industries, senior ministers predicted a series of damaging backbench revolts by Tory MPs over coming weeks and months.

Mr Michael Heseltine, trade and industry secretary, will face the 1922 committee before Wednesday's debate in what could prove a stormy confrontation. But last night he said: "We are going to fight our way through as any Conservative government in the past would have done." Other cabinet ministers used speeches to try to justify the closure announcement.

Labour plans to introduce a motion to attract maximum Tory support. "We will be doing everything possible for those Tory MPs who believe that the government have got it wrong to record that view on Wednesday," said Mr Robin Cook, the party's trade and industry spokesman. The aim was not to bring down the government but to save the coal industry, he said.

Labour and the Liberal Democrats have both launched national campaigns to save pits with Mr John Smith, Labour's leader, saying, "the government is alone in failing to appreciate the calamity they have caused".

The crisis of confidence around the handling of the decision to shut 31 of British Coal's 50 pits in order to pave the way for the industry's privatisation overshadowed the EC summit hosted by Mr Major in Birmingham.

Downing Street added to the confusion around what ministers acknowledged as a public relations disaster by issuing a third version of which members of the cabinet had been told in advance of the closures announcement.

Betraying the apparent haste with which the plans were drawn up and agreed, Mr David Hunt, Welsh secretary, last night said he had been "surprised" by British Coal's decision to close the Point of Ayr pit in Wales. He has asked for clarification and further information from them.

In Birmingham, Mr Major said the interest rate cut was fully justified in terms of the government's commitment to bring down inflation. But his emphasis on his concern to help "families and industry" provided acknowledgement of the damage done by the closures announcement.

Despite the Treasury's justification of the rate cut, there was a suspicion that its timing had been dictated by the mounting political crisis. Mr Gordon Brown, shadow chancellor, said the cut resulted largely from the Tories' "factional disputes".

Tory backbenchers publicly welcomed the move but it failed to stop private anxieties of many over the lack of a clear economic strategy since Britain's withdrawal from the European exchange rate mechanism.

European leaders pledge to make EC more open

By Lionel Barber, David Gardner and Robert Mauthner in Birmingham

EUROPEAN Community leaders last night pledged to make the EC more open and democratic to restore public confidence in the Maastricht treaty.

In an effort to win popular and parliamentary support for ratification of the treaty in the UK and Denmark, the heads of government issued an unusually concise blueprint for reforming the way the Community runs its affairs.

But the one-day summit in Birmingham, called by Mr John Major to address last month's crisis in the money markets, was overshadowed by Britain's increasingly serious political crisis.

Although some European officials said the UK move would hasten the development of a "two-tier" Europe, the draft declaration explicitly rules out an "inner core" of stronger EC economies and more federally minded countries moving at a faster pace to political and monetary union.

Chancellor Helmut Kohl of Germany said that everybody

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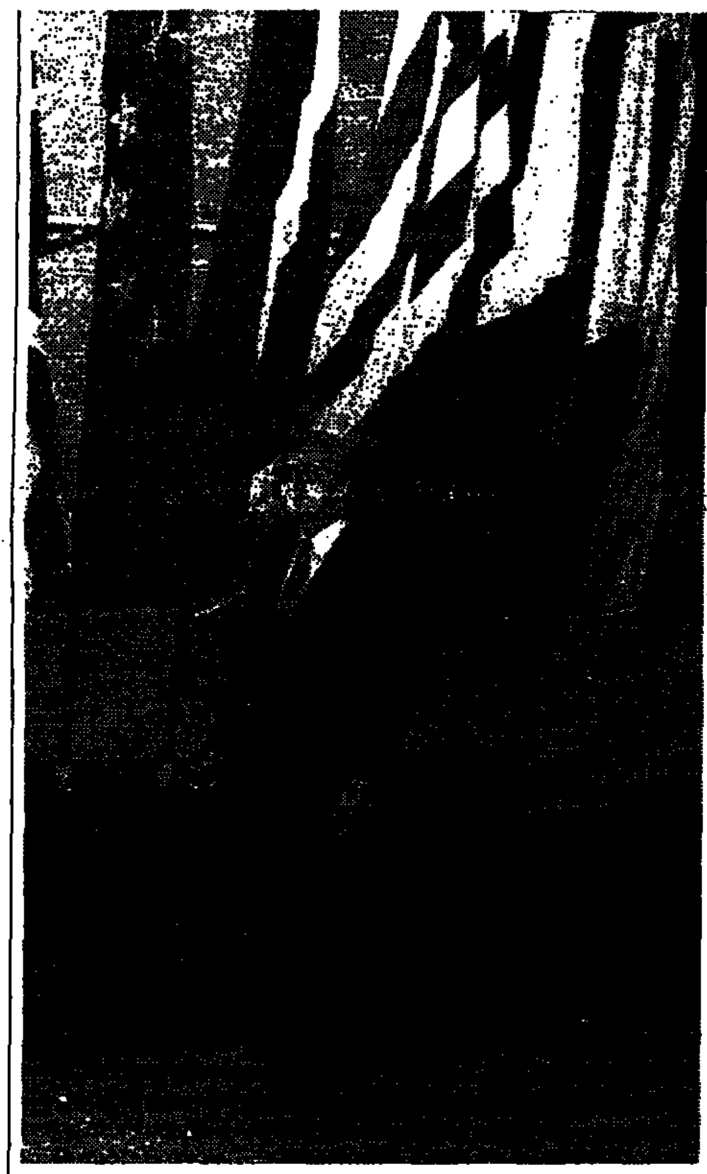
The Birmingham summit, Page 2



Overcoming doubt: John Major at the summit, which pledged to make the EC more democratic Photograph, Tony Andrews

Mixed reception given to government's move

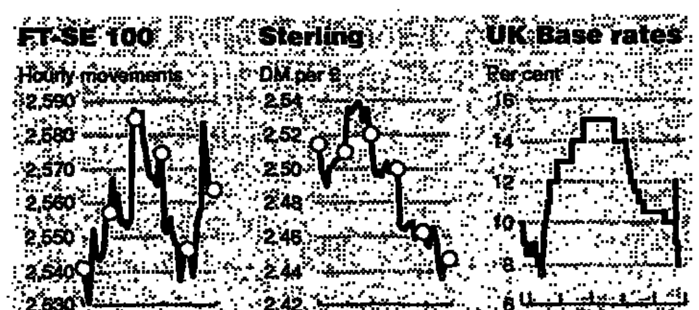
By Peter Marsh and Scheherazade Daneshkhu

THE BRITISH government acted yesterday to head off a further slide in economic and political confidence by announcing a 1 percentage point cut in interest rates.

The reduction to 8 per cent is likely to lead to lower home loans for most of Britain's 10m mortgage-holders and was generally applauded in industry, although many executives said more reductions were needed to get the economy moving.

On financial markets, the announcement had a grudging reception, on the grounds that the move smacked of a hasty response by the government to political pressures caused by mounting job losses and general economic gloom.

The move to the UK's lowest base rates since mid-1988 was signalled at around noon when the Bank of England lowered the rates at which it lends to the banking system. This was followed quickly by commercial banks reducing their base lending rates from 9 per cent to 8 per cent.



Mr Norman Lamont, the chancellor of the exchequer, said the decision to cut rates was "fully consistent" with the objective of lower inflation. He said all the recent evidence in both the UK and other countries was that "disinflationary forces remain strong and confidence weak". He added: "Provided cost and price inflation are kept firmly under control, British industry can look forward with confidence to a pick-up in domestic and overseas sales."

Three of the UK's biggest mortgage lenders – Abbey National, National & Provincial and Northern Rock – announced cuts in mortgage rates of up to ¾ percentage point to 9.25 per cent. Other lenders are expected to follow soon, although few are likely to pass on the full 1-point cut.

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RHM plans split to fight bid

By Maggie Urry

RANKS Hovis McDougall, the UK milling, baking and grocery products group facing a £780m cash bid from Hanson, the Anglo-US industrial conglomerate, yesterday announced plans to split itself into three companies.

Mr Stanley Metcalfe, RHM chairman, said the demerger plan was "the most effective way of delivering the value that is within the group to RHM shareholders" and would give them an alternative to the Hanson offer.

RHM shareholders would receive shares in each of three companies:

- A milling and baking group, including bread brands such as Hovis and Mothers Pride, as well as Federal Bakeries, which RHM bought yesterday from Dalgety, the food group, for £28m.
- A grocery products company, including Bisto gravy mixes, Paxo stuffing, Robertson's jams, Keiller and Golden Shred marmalade, Sharwoods Indian and Chinese foods, and Saxa salt.
- A cake manufacturer, including the Mr Kipling brand.

Mr Metcalfe said that rather than Hanson selling parts of the business for more than it had paid for the group, RHM's own shareholders should benefit. He acknowledged that the demerged businesses could be taken over.

RHM's board had been concerned for months about the fall in its share price, which reached a low of 135p in mid-September, Mr Metcalfe said. Various options had been considered to address the fall before Hanson bid.

"Whilst it may be true that Lord Hanson [Hanson's chairman] has provided a stimulus for these proposals, I would not wish to dent his modesty by overstating that point," he said.

Lord Hanson responded by saying: "Modesty undented, I continue to believe that our cash offer fully values RHM."

Mr Metcalfe said the demerger would reward shareholders for their loyalty on previous bid occasions. The group turned down an offer of 465p a share in 1988. Lord Hanson countered that "since 1988 this loyalty has cost shareholders half the value of their investment".

It echoes the step taken by Imperial Chemical Industries in July when it said it would split into two companies. Hanson had taken a small stake in ICI last year and although it did not bid, ICI was put under pressure to improve its performance.

BAT Industries, the tobacco and financial services group, demerged its retailing and papermaking subsidiaries after Sir James Goldsmith threatened an "unbundling" bid.

Lord Hanson said the stock market's reaction to RHM's announcement "bears out our view that there is no added value in these proposals". RHM shares rose 5p to 246p, 26p above Hanson's cash offer.

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Austria Sch30; Bahrain Din1.250; Bermuda $1.68; Belgium BFr60; Bulgaria Lv25.00, China Fec 12.0, Canada C$1.40; Cyprus C£1.00; Czechoslovakia Kcs35; Denmark DKr14.00; Egypt E£4.50; Finland Fmk12; France FFr8.50; Germany DM3.30; Greece Dr250; Hong Kong HK$16, Hungary Ft162; Iceland IKR180; India Rup20; Indonesia Rp3,800; Israel NS5.50; Italy L2500; Japan Y500; Jordan JD1.50, Korea Won 2500; Kuwait Fils 800; Lebanon $US1.25; Luxembourg LFr60; Malaysia Rin4.50; Malta Lm0.50; Morocco Dh13.00; Nigeria Naira20.00; Netherlands Fl3.50; Norway Nkr15.00, Oman OR1.50; Pakistan Rs35, Philippines Pso 45, Poland Zl 22,000; Portugal Esc180; Qatar QR12.00; S.Arabia Rls11.00; Singapore S$4.10, Spain Pta200; Sri Lanka Rup30, Sweden SKr14.00; Switzerland SFr3.00; Syria S£50.00; Taiwan NT$85; Thailand Bht50, Tunisia Din1.250; Turkey L6000, UAE Dh10.00; USA $1.25. (Alaska & Hawaii $1.75)

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NEWS: THE BIRMINGHAM SUMMIT

■ French take tough line on farm trade talks ■ EC leaders try to overcome popular scepticism on Maastricht treaty

France sees dollar rate as block to Gatt

By David Gardner

FRANCE yesterday argued that a Uruguay Round world trade agreement could not be concluded until the European Community and the US factored into their negotiations the effects of the devalued dollar on farm trade, the main obstacle to a deal.

"The fall in the dollar has been a formidable stimulus to American exports," said Ms *Elizabeth Guigou*, French minister for Europe, adding that "we cannot negotiate trade in abstraction from exchange rates."

EC leaders at the summit, increasingly irritated with French obstruction of a Gatt agreement, nevertheless reconfirmed the Commission's mandate to conclude a deal soon on behalf of the Community.

The risk was that France's opposition to any cutback in its lucrative exports of subsidised cereals might unravel those agreements on farm trade reached in EC-US talks at the beginning of this week, conducted by senior Commission officials.

These agreements forced French officials to admit privately this week that this May's radical reform of the Common Agricultural Policy (CAP) – the underpinning of the Gatt farm talks – would not work or be adhered to.

The CAP reform, which France, along with its partners, *signed up to, commits* the EC to deeper cuts on subsidised food exports than the EC would have to undertake under the worst outcome of the Gatt negotiations. French officials, however, have made clear in private that the powerful Paris agriculture bureaucracy does not take the CAP reform projections seriously.

Under the revamped CAP, EC cereals production would fall from 180m tonnes to 164m tonnes, with subsidised exports falling from 33m tonnes to 19m tonnes over three years. The maximum Gatt commitment of a cut of 24 per cent in subsi*dised cereals exports would* still allow the EC to export 23.5m tonnes in six years' time, substantially over the Gatt limit.

A senior French official at the European Commission, reconfirming on Thursday that these figures remain accurate, explained the inconsistency in France's position with the remark that "it is an emotional question".

He said, however, that the fall in the dollar was "the only serious problem to analyse". Dollar depreciation not only makes US exports more competitive, but because farm trade is denominated in dollars, adds to the cost of the CAP in the EC budget.

There is some sympathy for France's new line of defence on the dollar. Indeed, US lobbyists opposed to the Uruguay round settlement have also raised concerns over currency movements as they influence world trade. But there is no sympathy at all for France's obstruction of a Gatt deal which all its EC partners believe could inject desperately needed confidence into the depressed world economy.

"It is clear that France never really intended to comply with CAP reform," *one senior* Commission official said on Thursday.

"They don't care about the dollar," a German diplomat said angrily yesterday, "they're only worried about their internal political situation."

Nevertheless, he and other German officials acknowledged that Chancellor Helmut Kohl felt unable to bring more than discreet pressure to bear on Paris, Bonn's principal ally.

Mr John Major's government, even though the UK currently holds the presidency of the EC, is believed by many of its partners to be too weakened *to force a conclusion to the* Gatt talks. However, Mr Tristan Garel-Jones, minister of state for European affairs, said there could be no question of bringing pressure on anybody until the Commission came up with a package of negotiated agreements for member states to judge.

Mr Frans Andriessen, who yesterday brought the leaders up to date on the state of the Gatt negotiations, insisted that the Uruguay Round farm trade obligations were well within what had already been agreed on Cap reform, and would help conserve the EC farm regime, *according to one of his aides.*

Ms Guigou, however, urged the EC not to give in to US pressure. "We cannot accept threats," she said, referring to President George Bush's letter to the EC summit saying the US had "stretched as far as possible" in meeting EC concerns on farm trade and other still to be resolved negotiations on services and market access.

Community agrees to hasten aid to former Yugoslavia

By Robert Mauthner

EUROPEAN Community leaders agreed last night to speed up their help to the hundreds of thousands of people in the former Yugoslavia facing death and starvation as winter approaches.

A draft declaration to be adopted by the 12 heads of government underlined the importance of providing winter shelter and of ensuring the delivery of relief supplies. It said Ecu213m (£167m) of EC aid was ready for immediate disbursement. This includes 120,000 tons of food, medicines, shelter and 40 trucks.

Member states said they would immediately provide further staff and resources, practical and financial, to strengthen the United Nations High Commissioner for Refugees' capacity in the region. The Community would also immediately establish a task force to sup*port the efforts of UNHCR to* deliver humanitarian aid.

In order to increase the effectiveness of such humanitarian *assistance, the European Coun*cil called on the UNHCR to set up, next week, a meeting of technical experts on emergency aid and, next month, a stock-taking conference to assess the effectiveness of the operation and recommend further measures.

The heads of government called on other international donors to make a commensurate effort to support the UNHCR appeal and to speed up the delivery of aid already pledged.

The summit condemned "the continuing widespread vio*lence and cruelty and the sav*age breaches of international humanitarian law" in the former Yugoslavia, which were now the main constraint on the delivery of essential aid. It expressed its full support for the "unremitting efforts" of Lord Owen and Mr Cyrus Vance to bring about an end to hostilities.

The summit also endorsed the recent UN Security Council resolutions on war crimes and the introduction of a "no-fly" zone in Bosnia. The leaders noted the recent undertaking by the Bosnian Serbs to remove their military aircraft into Serbia and agreed, that in case of violations of the relevant UN resolution, the Security Council should be asked to consider urgently further measures to enforce the ban on military flights.

Stressing that international sanctions and the arms embargo against Serbia and *Montenegro should be main*tained, the leaders also stressed the need for measures to prevent the former Yugoslav *republic of Macedonia from* becoming the unintended victim of UN sanctions.

● Laura Silber adds from Bel*grade: Mr Dobrica Cosic, the* federal president of Yugoslavia, yesterday called for Serbian President Slobodan Milosevic's resignation, intensifying the pressure on the controversial socialist leader.

Mr Cosic, a writer who has wielded tremendous influence in Serbian politics, for the first time appears to have drawn *battle lines between Serbia's* ruling socialists and the federal government.

He followed his unprecedented criticism of Mr Milosevic with a state-of-the nation address in which he lashed out at Serbian leaders for criticising his peace talks with Croatia's President Franjo Tudjman.

Miners protesting at the running down of Britain's coal industry march on the Birmingham summit

Deliberations cut little ice in Ladywood

David Marsh finds scant interest in the Community among the people of Birmingham

FOR the people of Ladywood, yesterday's summit might have been taking place on another *planet. The sprawling 1960s* council estate lies in the shadow of the glittering Birmingham International Convention Centre, the summit venue, and the *5,000 people who live there seemed* more concerned about jobs and the next Giro cheque than the intricacies of the Maastricht treaty.

Mr Richard Tetlow, 50, the vicar of St John's church, said Birmingham city council had ploughed considerable effort and money into the area since work started on the £180m convention centre in the late 1980s.

"The council has now started to take Ladywood seriously. There are all manner of schemes to help local people improve their situation." Yet he says the residents – 90 per cent in council homes, roughly 70 per cent depending on housing benefit – have a strong sense of living in a divided nation.

The number of people genuinely in need calling at his door has increased in the last two years. The church runs a fund allowing the vicar to give them up *to £2 at a time.*

While the conference centre has improved Birmingham's image, it also exemplifies gaps in society, Mr Telow says: "If people have the sense that others are doing better, this builds up a feeling of injustice which destroys a sense of community."

Mr Rod Parry, headteacher at the local junior school, felt the summit was "a bit of a farce". Governments had to steer between acting for the good of their own people and co-operating for the benefit of all. However, with economic times getting tougher, "they're turning their backs on co-operation".

Ms Karen Smythe, who helps run the Ladywood Community Business Centre, says the spin-off of conference centre jobs for the estate has been small. Although some residents have found casual work helping with catering and *security at £3.50 an hour, permanent* employment in the centre has been hard to come by. As for the general feeling of local people, she comments, "I have not heard favourable responses. Most people say it's a load of politicians talking a load of rubbish."

This view is echoed by butcher Mr Michael Gourley. "It's irrelevant," he said. He advises the summiteers to concentrate on achieving a breakthrough in the Gatt talks "to get things moving."

Mrs Brenda Edwards, manageress of an off-licence, said the summit was a complete waste of time. "They should get off their backsides and get the country on its feet." Despite the recession, alcohol sales were holding up reasonably well, she said. "People are drowning their sorrows. They get fed up being at home all day."

Shopkeeper Mr John Wainwright said the summit was an irritant. He thinks Britain should have stuck to the Commonwealth. "Now we have to turn to *Europe. And I can't see them being very* helpful. Whenever there's a contretemps, they kick you in the teeth. The French have got problems with farmers and the Germans have got us over a barrel on the money side."

Business is so bad he says he is thinking of closing down. Just one sign that, as they echo down to Ladywood, that yesterday's Birmingham declarations will have a distinctly hollow sound.

Contrite leaders seek to put a gloss on Maastricht

By Lionel Barber

EC leaders yesterday drew up a list of ideas aimed at selling the Maastricht treaty to the sceptical citizens of Europe.

In contrite mood, the heads of government acknowledged that the EC had failed to explain in simple language what it was doing and why.

The British presidency and the European Commission jointly presented proposals which combine pledges for more openness in EC affairs and a new emphasis on "sub*sidiarity" – devolving deci*sion-making to the lowest appropriate level.

They include a mixture of window-dressing and repackaged versions of existing practice, emphasising, in the words of Prime Minister John Major's spokesman, "the human face of Maastricht":

● The introduction of British-style Green Papers inviting public comment on proposed EC legislation. Though this is current practice, British officials said the UK wanted more formal, open procedures.

● A plan by Mr Jacques Delors, Commission president, to send individual Commissioners to national parliaments to explain the Commission's annual work plans. Thus a Spaniard might appear before the House of Commons, and a Frenchman might appear before the Danish Folketing.

● Britain would like partially to open up EC foreign ministers' sessions to the public, particularly during policy debates. This could be extended to meetings of other ministers, though some, *including Mr Delors, are wary* of letting publicity-conscious ministers loose before TV cameras.

In his presentation on subsidiarity, Mr Delors avoided examples of where the Commission had overstepped the mark. He opposed repealing existing legislation, declaring that the body of EC law and existing treaties – the *acquis communautaire* – must not be affected by the subsidiarity campaign.

Mr Delors argued that subsidiarity did not mean "cutting back" the powers of the Commission. He also noted that the Commission was becoming less active now that laws for the creation of a single market were virtually complete.

The UK, which has criticised the Commission for poking unnecessarily into national nooks and crannies, *yesterday* agreed with Mr Delors that there should be no change in the institutional balance of power *in Brussels.*

This was viewed partly as a response to fears among smaller states that Britain, *France and Germany were* seeking to grab power at the expense of the Commission, their traditional protector.

Mr Delors intends to put forward 10-20 examples of Commission proposals which do not pass the test of subsidiarity. These could be scrapped as part of the Community's collective *mea culpa.*

But ministers warned yesterday that final decisions on new working procedures and criteria for subsidiarity would be held up until the EC summit in Edinburgh in December.

Give treaty human face, says Major

By Robert Mauthner

MR John Major urged his EC partners yesterday to give the Maastricht treaty a "human face" to make it more acceptable to the citizens of the Community.

The British prime minister said the aim of the summit was to put an end to the political and economic turbulence of the past few months, which *had sown serious doubts in* people's minds about future European integration.

The rejection of the Maas*tricht treaty by the Danish* people in last June's referendum and the close result in last month's French referendum indicated deep and widespread concern about the treaty. The recent turbulence on the foreign exchange markets had fuelled these worries.

"We must send a clear signal to the citizens of Europe that we will listen to their worries and respond to their needs," *Mr Major* said. "We have to convince them that the process of European construction is in the interests of all of us, despite the sacrifices it will sometimes require."

If the member governments failed to demonstrate to their citizens that their concerns were unfounded, then the Community must be prepared to change its ways and adapt to meet those concerns.

"Unless we have the people with us, our enterprise will not succeed."

Mr Major said that a clear *declaration of political intent* was required from the present meeting to reassure people that the Community would preserve national identities and the role of national parliaments, as well as becoming more democratic and open.

Among the steps proposed to achieve these aims are closer consultation between the Commission and member states, encouraging national parliaments to become more involved in Community affairs and thus to act as a bridge between the Brussels bureaucracy and its citizens, and providing more information to the public about the Community's activities.

'A Community close to its citizens'

The following is the draft declaration from the Birmingham summit:

1. We reaffirm our commitment to the Maastricht Treaty: We need to make progress *towards European Union if the* Community is to remain an anchor of stability in a rapidly changing continent, building on its success over the last quarter of a century.

2. As a Community of democracies, we can only move forward with the support of citizens. We are determined to respond to the concerns raised *in the recent public debate.* We must:

● Demonstrate to our citizens the benefits of the Community and the Maastricht Treaty.

● Make the Community more open, to ensure a better informed public debate on its activities.

● Respect the history, culture and traditions of individual nations, with a clearer understanding of what member states should do and what needs to be done by the Community.

● Make clear that citizenship of the union brings our citizens *additional rights* and protection without in any way taking the place of their national citizenship.

3. Foreign ministers *will suggest* ways, before the Edinburgh European Council, of opening up the work of the Community's institutions, including the possibility of some open council discussion - for example on future work programmes. We welcome the Commission's offer to consult more widely before proposing *legislation. This will include* consultation with the member states and a more systematic use of consultation documents (Green Papers). We ask the Commission to complete by early next year its work on improving public access to the information available to it and to other Community institutions. We want Community legislation to become simpler and clearer.

4. We reaffirm that national parliaments should be *more* closely involved in the Community's activities. We shall discuss this with our parlia*ments. We welcome the Com*mission's readiness to respond positively to requests from national parliaments for explanations of its proposals. We welcome the growing contacts between national parliaments and the European parliament, and stress the European parliament's important role in the democratic life of the Commu*nity. This will be looked at* again in 1996. We underline the importance we attach to the Conference of Parliaments and to the Committee of the Regions.

5. We reaffirm that decisions must be taken as closely as possible to the citizen. Centralisation is not the right road to greater unity. It is for each member state to decide how its power should be exercised domestically. The Community can *only act where member* states have given it the power to do so in the treaties. Action at the community level should happen only when indispensable: The Maastricht Treaty provides the right framework for this. Bringing to life this principle - "subsidiarity", or "nearness" as the Danes call it - is essential if the Community is to develop with the support of its citizens. We look forward to decisions at Edinburgh on the basis of reports on:

● *Adapting the Council's* procedures and practices – as the Commission for its part has already done – so that the principle becomes an integral part of the Community's decision-making, as the Maastricht Treaty requires.

● Guidelines for applying the principle in practice, for instance by *using the lightest* possible form of legislation, with maximum freedom for member states on how best to achieve the objective in question. Community legislation must be implemented and enforced effectively, and without interfering unnecessarily in the daily life of our citizens.

● Progress on the review of past Community legislation with examples.

6. Making this principle work should be a priority for all the *Community institutions* without affecting the balance between them. We will seek an agreement about this with the European Parliament.

7. The Maastricht Treaty will bring direct benefits to individual citizens. All of us – Council, Commission and Parliament – must do more to make this clear.

SUMMIT DIARY

Not so much a summit, more a molehill

WITH subsidiarity the main dish on the summit menu, the prospects of firing the public's rapidly waning enthusiasm for the Maastricht treaty were always slim.

Even non-British journalists and delegates showed more interest in Mr John Major's domestic problems than in the agenda of a meeting billed from the outset as only an hors d'oeuvre to the full-scale European summit in Edinburgh at the end of the year.

The Birmingham Post, in spite of a laudable attempt to mark a great European occa*sion by printing its whole* front page in French, could not suppress its normal journalistic instincts. "Assault on the *summit," its* headline screamed. "Confrontation avec les mineurs à Birmingham." That put things in perspective.

Mr Gus O'Donnell, the British prime minister's long-suffering spokesman, set the tone for the discussions on the Community's future by instituting two-speed press briefings: the first, in his capacity as spokesman for the UK presidency, on the discussions in the conference hall, followed immediately by a briefing on the *latest breathtaking* political and economic developments in Britain.

Widespread sympathy was expressed for the British prime minister in his troublesome task of trying to persuade the House of Commons to ratify the Maastricht treaty. But there were clearly limits to the altruism of the other *leaders. Spain was prepared* "to throw a life-belt to a drowning John Major, but not to jump in the water to save *him," Mr Felipe Gonzalez,* the Spanish prime minister was overheard to say.

Indeed, the Spaniards, themselves facing dire financial difficulties as the result of the recent turbulence on the foreign exchange markets, were clearly in fatalistic mood in Birmingham. Normally, senior Spanish civil servants prepare a list of thorny issues for their prime minister attending a summit known as "the minefield." This time, perhaps because of the unfortunate connotation for Mr Major, they didn't bother.

At times, the discussions took on a distinctly fruity flavour. Mr Uffe Ellemann-Jensen, the Danish foreign minister, always something of a card, presented Mr Major with a Danish "Ingrid Maria" apple, which apparently does not meet EC export *specifications* because it is too small. "An apple a day keeps the Commission away," he quipped.

*Meanwhile, Chancellor Hel*mut Kohl of Germany and Mr Gonzalez were talking about the Community's classification and denomination of apricots, which prompted one bystander to ask, sotto voce: "Is Maastricht a lemon?"

President François Mitterrand of France did not miss much by turning up late for the meeting, as is his custom. And Mr Gonzalez appeared to sum up the mood of the occasion by remarking testily: "Given that these seats are so uncomfortable, this should be a *short meeting.*" It was.

Robert Mauthner, David Gardner and Lionel Barber

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Noises on and noises off

Jurek Martin reflects from the serenity of Sanibel, deep down Florida's Gulf coast, on this week's ructions in Washington

WASHINGTON is the best of towns and it is the worst of towns. No town contains a greater distillation of political sophistication and no town can be as divorced from political reality. This week demonstrated the ultimate contrast.

All the noises in Washington are of men at war and jumping ship. If, as is still more likely than not, the effective administration of President George Bush has only 2½ more weeks to run, its final days are not exactly filled with sweetness and light.

But, out here in the hinterland, if the questions posed by Joe and Mary Public to Messrs Bush, Clinton and Perot in Richmond, Virginia, on Thursday night are any guide, these noises might as well be on Mars. That does not make them less sonorous, or less important, but it does put them into perspective.

The Washington ear is tuned into the fascinating fact that the Justice Department is investigating the Federal Bureau of Investigation, which is in turn investigating the Justice Department, of which the FBI is institutionally a part. The Central Intelligence Agency is also trading allegations with the Justice Department. All the fusillades have their origins in the Banco Nazionale del Lavora (BNL) affair.

Similarly, Budget Director Richard Darman has done his best to blame Treasury Secretary Nicholas Brady and Mr Michael Boskin, chairman of the council of economic advisers, for making a mess of the president's tax policies. They have been a bit too polite to respond, but all has been revealed in exquisite detail by Bob Woodward in the Washington Post, the town organ.

Over at the State Department, now free of the hegemony of Mr James Baker, who is occupied with running President Bush's re-election campaign, officials are speaking with delicious indiscretion over the circumstances of the departmental investigation of presidential challenger Bill Clinton's private life. That the investigation should have been overseen by an unpopular political appointee named to her post at the behest of Mr John Sununu, the former White House chief of staff whom all Washington loves to hate now that he is out, is merely an explanation.

Nobody, it seems, had the will to restore order. Not Mr Baker, whose long-awaited speech – either on the economy or on why he thinks Mr Bush should be re-elected – remained undelivered.

Not Mr William Sessions, director of the FBI, now under fire for having dodged taxes, billing the government for private phone calls and other hanging offences.

Not Attorney General William Barr, nor CIA chief Robert Gates, the first more concerned with denying a congressional request for yet another special prosecutor, the other in Russia, presumably looking for evidence that that the KGB planted a transmitter in Mr Clinton's lower lip 23 years ago in Moscow.

Nor – apart from Arabs buying US, not British, tanks as if they were going out of style – was there much evidence of foreigners jumping on board Mr Bush's ship. Most German chancellors, including socialists, endorse Republican presidents but, consumed by Eurodramas and a few local difficulties, Helmut Kohl has said not a word.

Nor has British Prime Minister John Major displayed any public gratitude for the wholescale lifting by the Republicans of last spring's Tory campaign. Even the Japanese, who tend to respond automatically to requests from the White House, have been quiet, privately concentrating on working out what Mr Clinton's trade policies really are. French Foreign Minister Roland Dumas stands alone in his endorsement, and that was delivered months ago.

The curious thing is that, throughout all this, Mr Bush has remained almost serene. He has a pit bull terrier for vice-president and assorted rottweilers called Matalin, Fitzwater and Dornan, but the president himself often seems as passive as his family dog, Millie, frequently seen dozing at the presidential feet.

Mr Bush does get rattled occasionally and still misspeaks himself but, mostly, he stands on the dignity of being president. He applauded Mr Quayle for the savagery of his debate onslaught this week, but this was precisely the reverse of his own near politeness on Sunday. Having been set up by Mr Quayle for the Thursday round, he barely raised his voice.

But the critical factor differentiating Washington from the great unwashed was that he was never invited to. Though Mr Quayle would have taken any opportunity, no matter how thin, to impugn Mr Clinton, Mr Bush did not. He answered the questions put to him, less well than Mr Clinton and less entertainingly than Mr Perot, but he answered them.

Only once in 90 minutes were there even allusions to Vietnam, Moscow, trust, character, untruthfulness or all the other things that Washington thinks he must make stick in order to retain the presidency. On the other side, yet again the names of Iran and Iraq, let alone a certain subsidiary of an Italian bank, never crossed a questioner's lips.

The Washington conclusion is that there is no iron in Mr Bush's soul. The country may well also be about to vote him out, but not because he lacks iron or any other vitamin that might transform him into the Man Who Eats Democrats For Breakfast. It is because he has run out of ideas on the real problems of real people. He ought to be here: at least the tide comes in and out.

Republicans see time to break into Clinton's lead

By George Graham in Washington

REPUBLICAN campaigners claimed yesterday that they still have time to break into Governor Bill Clinton's commanding polling lead before the US presidential election on November 3, after President George Bush once again failed to inflict any appreciable damage on his Democratic rival in Thursday night's debate.

"We've got over two weeks. That's a long time in politics," said Vice-president Dan Quayle.

But Mr Bush appeared more resigned than his ebullient running mate, all but conceding in Thursday's debate with Mr Clinton and Mr Ross Perot that he should have handed over the reins to another candidate.

"I think if Barbara Bush were running this year she'd be elected, but it's too late," he said.

Many Republicans have been desperately urging Mr Bush to take his gloves off in his assault on Mr Clinton, emulating Mr Quayle, who in his debate earlier this week with Senator Al Gore, the Democratic vice-presidential candidate, relentlessly attacked Mr Clinton's policies, personality and integrity.

If Mr Bush had any plans to follow this advice, he was quickly cut off by the audience of 209 uncommitted voters who had been selected to ask the questions in this second of three encounters between the three main candidates.

Although he embarked briefly on what has become known as "the character issue", criticising Governor Clinton as "someone who demonstrates and organises demonstrations in a foreign land when his country is at war, Mr Bush appeared quickly to decide that this would win him no friends in the audience.

"The amount of time the candidates have spent in this campaign trashing their opponents' character and their programmes is depressingly large," one questioner complained.

Mr Perot, who stole the show at the first debate last Sunday with his good humour and folksy phrasing, once again managed the best one-liners, but appeared to make no headway in convincing undecided voters that he might be a serious presidential candidate.

Early polling suggested that Thursday's debate had little effect on voting intentions, and there are few indications that the final debate, on Monday night, will do any more to dent Mr Clinton's lead. He is comfortably ahead in 26 states – already enough to ensure victory – and holds the advantage over Mr Bush in 12 more.

Administration takes economic pummelling

By Michael Prowse in Washington

THE Bush administration underwent an economic pummelling yesterday as official figures showed a surge in the trade deficit to $9bn in August, the biggest shortfall for two years, and a fall in industrial production in September for the second month running.

An unexpected slump in exports, which fell 6 per cent in August, was the main cause of the rise in the trade deficit, the Commerce Department said. The production figures confirmed the weakness of the US economy, which some analysts believe is teetering on the brink of a "triple dip" recession.

The slide in exports, meanwhile, indicated that the positive impact on US trade of a weak dollar is now outweighed by the contractionary effects of an increasingly serious global economic slowdown.

The export decline was especially embarrassing for President George Bush, who depicted exports as a route to economic salvation in his Thursday night debate with presidential contenders, Mr Bill Clinton and Mr Ross Perot.

"The thing that has saved us in this global economic slowdown has been our exports, and what I am trying to do is increase our exports," Mr Bush said.

In financial markets, bond prices fell, partly on rumours that Mr Clinton is planning an immediate fiscal stimulus if elected on November 3.

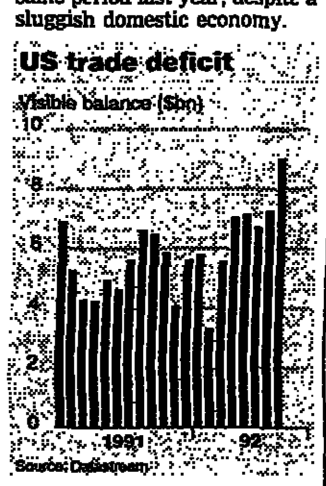
The Los Angeles Times reported that Mr Clinton had asked senior economic aides to examine ways to accelerate federal spending on public works and expand a planned investment tax credit.

Some analysts fear that a short-term fiscal stimulus would put upward pressure on long-bond yields even if balanced by fresh proposals for budget retrenchment in the medium-term.

The $9bn trade deficit was far higher than expected by analysts. The main cause was a broadly-based decline in exports, which fell $2.3bn to $35.5bn. This was only partially offset by a $0.6bn fall in imports to $44.5bn, reflecting weak US consumer demand.

Ms Barbara Franklin, the commerce secretary, put a brave face on the figures, noting that monthly figures were volatile and that US exports to developing countries had been strong this year.

However, the trade deficit for the first eight months of the year was $51.9bn, more than 20 per cent higher than in the same period last year, despite a sluggish domestic economy.



The Federal Reserve said industrial production fell 0.2 per cent last month, following a 0.4 per cent decline in August. The declines were broadly-based, with significant falls in defence and space equipment, construction supplies and durable materials.

Manufacturing output fell 0.4 per cent with durable goods production down 0.7 per cent.

Capacity utilisation in manufacturing fell to 77.2 per cent, a full percentage point drop since May.

The production figures were the weakest since last winter when the economy was experiencing a second economic dip.

While not necessarily implying a contraction of the whole economy, they indicate the sluggish growth of the summer months is petering out.

Senate hearings on Clinton files probe

THE Senate Foreign Relations Committee said yesterday it would hold a hearing on charges that the State Department used improper procedures trying to get files about Democratic presidential nominee Bill Clinton, Reuter reports from Washington.

The committee, which is controlled by Democrats, called acting secretary of state Lawrence Eagleburger and Elizabeth Tamposi, an assistant secretary for consular affairs, to testify at the hearing on Monday afternoon.

The department said on Thursday some of its employees had violated procedures in searching for Mr Clinton's passport and citizenship files at US embassies in London and Oslo.

Democrats have accused the Republicans of a politically motivated campaign to dig up damaging information on Mr Clinton, who is leading Mr Bush in public opinion polls.

NEWS: INTERNATIONAL

Moving aside: members of the old guard who have retired include, from left, Yang Shangkun, Qin Jiwei, Wu Xueqian and Wan Li

Communist party seeking to present younger image to the people

Shake-out in China's leadership

By Simon Holberton in Beijing

A BIG shake-up of China's leadership is in progress following the retirement of more than half the Communist party's politburo - the country's leading decision-making body.

Wen Wei Po, a pro-Beijing newspaper in Hong Kong, yesterday reported that eight of the 14 members of the politburo, *including President* Yang Shangkun, 85, and defence minister Qin Jiwei, 78, had tendered their resignations during the party's 14th congress, due to end tomorrow.

The newspaper, which generally *reflects* Beijing's point of view, was silent on who would replace the eight. There have, however, have been persistent *reports that the party wants to* present a younger image to the Chinese people as well as to the world at large.

Wen Wei Po indicated that old age was the reason for the eight to retire. But it said the top "leadership level and the presidium" had given a positive evaluation of the eight's "noble character and sterling *integrity*".

A front-page commentary in yesterday People's Daily, the official newspaper of the party, prepared the wider party for a change at the top. It said: "With the passing of time, *quite a few old comrades are* getting advanced in age and finding it hard to shoulder their heavy workload."

In addition to Yang and Qin it named Wan Li, the 76-year-old head of the National People's Congress, or parliament; Song Ping, 75; Yao Yilin, 75; Wu Xueqian, 71; Li Ximing, 66; and Yang Rudai, 66. Song and Yao are on the politburo's all-powerful standing committee and are regarded as being on the hardline conservative *wing of the party*.

Their replacements, and the composition of the standing committee generally, are being watched closely by Beijing's western diplomatic corps to assess whether Deng Xiaoping, 88 and the nation's pre-eminent leader, has been able to increase the number of pro-economic reformers on the *standing committee*.

This week the party embraced a radical, market-oriented reform programme *which envisages the introduc*tion of free markets and the restructuring of the country's ailing state industries. It turned its face, however, against any form of political reform, flatly ruling out "a *western, multi-party, parlia*mentary system".

The politburo is expected to be expanded from its previous complement of 14 to more than 20 people. The expanded number is expected to allow greater representation by provincial party bosses, including those of Shanghai, Guangdong, Tianjin, and Shandong, in addition to Beijing.

These provinces have been the engine of Chinese economic growth and their power *has increased significantly*. At the same time, analysts said, the inclusion of more provincial party bosses on the politburo *would bring them further* into the policy orbit of Beijing, from which they have been *straying recently*.

The party congress is expected to close tomorrow, when a new central committee will be appointed. It in turn will appoint the politburo and its standing committee, which might be announced at the same time or on Monday.

Military leads modernisation march

People's Army is helping quasi-capitalist development, writes Simon Holberton

THE first exhibit you see on entering the Museum of the People's *Liberation* Army is not a tank or missile, but four luxury cars.

Two of them - one of indeterminate manufacture and one Russian - were used by Chairman Mao Zedong; another, a Skoda, was used by Zhu De, one of China's great generals of the *revolutionary civil war that brought the* Communists to power in 1949. But the one that people queue up to be photographed next to is the open-roofed and Shanghai-produced Hungqi, or Red Flag, used by Deng Xiaoping in 1985 when he rode triumphant through Tian*anmen Square*.

The use of cars may be odd but, along with the 20-foot statue of Mao in the foyer and giant portraits of Engels, Marx, Lenin and Stalin, they have a powerful symbolic importance. They underline to visitors the central fact that the military in China is inseparable from the Communist party.

Indeed, the primary duty of the 3.2m-member People's Liberation Army (PLA) is to defend the Communist party, a "duty" it performed in June 1989 when its tanks and infantry suppressed pro-democracy demonstrations in Tiananmen Square, in the process killing hundreds and possibly thousands of young people.

Defence of territorial China comes second and is followed by a number of other directives. The one of most practical importance is to assist in the development of China through construction and production works.

It was the PLA which 12 years ago laid down the infrastructure for Shenzhen - China's most thriving "special economic zone" on the border with Hong Kong. In 1991, according to Chinese press reports, the PLA spent more than 25m work days working on 140 key *projects in provincial China*.

Modernisation of the PLA has been the prime aim of China's leadership since Deng in the mid-1970s accused the army of being bloated, lax, conceited, extravagant and inert. And, as the party is inseparable from the PLA, so too is the PLA's modernisation inseparable from the party's policy for the quasi-capitalist development of the country.

"The *faster* China develops its economy, carries out reform and opens its door to the rest of the world, the more necessary it is to strengthen national defence," according to Chi Haotian, PLA chief of staff.

This view was developed in the same newspaper by General Liu Huaqing, vice chairman of the Central Military Commission and the man likely to be appointed to the highest level of the party, its politburo.

"The modernisation of the military *can be seen as a question of life and* death," the People's Liberation Army Daily quoted him as saying. "Military modernisation does not just mean modernisation of weaponry, but without that nothing else is possible."

Gen Liu - a close associate of Deng *since the 1940s - has spent much of his* career with the Chinese navy, developing it from a force which provided coastal defence to one with something near long-distance capability.

Western military analysts say there are still weaknesses in its ability to project Chinese power in the region - air support is poor, as is the navy's ability to defend itself from air attack - but they respect the intelligence with which the modernisation of the navy has progressed.

Weaknesses or not, the growth of the navy - which consists of 92 tactical submarines, one nuclear submarine, 19 destroyers and 37 frigates - has worried China's neighbours. *Its* interest in buying a Russian aircraft carrier from Ukraine (now on hold, western analysts believe) has alarmed Japan and caused concern in the Philippines, Vietnam and *Malaysia, which all*, along with China, lay claim to the Spratly Islands in the South China Sea.

Gen Liu is expected to use the same energy he devoted to the navy in modernising the army and the air force; the latter uses dated technology, *although military analysts say it has* upgraded air defence capability with the acquisition of at least 24 SU-27 "Flanker" combat aircraft from Russia.

The army is still over-manned and poorly equipped, trained and led. It is essentially a peasant army and repre*sents the greatest challenged to China's* military planners.

But the road to modernisation is long. To upgrade quickly China would have to import western armaments, laying it open to dependence on ideological foes and incurring huge costs which it is unable to bear.

China's military leaders appear to have decided instead on having a smaller standing army that is better educated, trained and led. Modernising equipment will come from selective foreign purchases, which will then be analysed in China and, if possible, copied.

Gen Liu is at 76 not a young man; it is anyone's guess how long he will have to oversee the modernisation effort. However, *if he succeeds*, he may find that his staff car will join those of Mao, Zhu and Deng in the PLA museum.

Pretoria's amnesty bill defies the ANC

By Patti Waldmeir in Cape Town

THE South African *government yesterday* tabled a controversial bill in parliament which would allow it to grant amnesty and indemnity from prosecution to political criminals, including members of the state security forces.

The bill, which has been opposed by the African National Congress (ANC), could prove a further obstacle *to progress in talks on a new* constitution.

The ANC opposes the bill because it will allow President F.W. de Klerk to indemnify from future prosecution state officials who committed *crimes (including political* assassinations) during the apartheid era without either trying them for their crimes or even disclosing the deeds publicly.

ANC officials have said they support the granting of indemnity, or amnesty to state officials already serving sentences, but only if such actions *are* taken by a multi-racial interim government and not unilaterally by Pretoria, and only if there is full public disclosure of the crimes for which indemnity is granted. Under yesterday's bill, disclosure is *at the discretion of the president*.

Justice Minister Kobie Coetsee made clear yesterday that the government intended to proceed immediately with granting indemnity to all *those who committed political* crimes, from any party or from the state. He said the legislation was in line with an earlier law which allowed ANC members to receive indemnity from prosecution without disclosing their crimes publicly.

The president will have the final word on such indemnities. He will be advised by a panel including at least one judge, but all the panel's members will be appointed by him.

The ANC has said it would revoke any indemnities granted unilaterally by Pretoria, and repeal amnesty legislation, if it came to power in multi-racial elections.

Mr Coetsee was at pains to stress that yesterday's law was not a general amnesty, as had been feared by the ANC, because the draft law does not automatically absolve state agents of responsibility for apartheid crimes and requires them to apply for indemnity from prosecution for offences (although individuals can apply for indemnity for categories of offence rather than specific offences).

But Mr Tony Leon, the justice spokesman for the official opposition, the liberal Democratic party, dismissed this argument, saying *the bill* was "a general amnesty by another name".

Angolan rivals near election compromise

By Julian Ozanne in Luanda

THE TWO sides in Angola's political crisis were moving towards a compromise yesterday, easing fears of a return to civil war.

Details of the deal, based on an interim government of national unity pending a second-round runoff of presidential elections, will be hammered out in a meeting in the next 48 hours between President José Eduardo dos Santos and Mr Jonas Savimbi, leader of the Unita rebel movement.

The initiative results from intense diplomatic activity by South Africa, the United Nations and the US and follows the release of election returns showing Mr dos Santos had failed to secure the 50 per cent majority to avoid a runoff.

Final official results of the country's first democratic elections will be published this morning and are expected to *show Mr dos Santos* has won 49.5 per cent of the vote against 40.6 per cent for Mr Savimbi. In the parliamentary poll the ruling MPLA won a decisive victory.

The results, which over*turned earlier figures showing* Mr Dos Santos above the 50 per cent mark which would have secured him an outright win, came after a recount of the blank and void ballot papers.

Mr Savimbi plunged Angola into crisis two weeks ago when he claimed the government had rigged the elections. He withdrew his generals from the newly unified Angolan Armed Forces and made veiled threats of a return to war.

An investigation into the elections turned up evidence of irregularities and incompetence but failed to support Mr Savimbi's allegations of massive fraud.

Diplomats said yesterday the deal between the president and *the guerrilla* chief had pulled the country back from the brink of renewed conflict. But they also said it left the deeply *divided* country *in limbo* and uncertain of how Mr Savimbi would act in coming months.

"The government has bent over backwards to appease Mr Savimbi and keep the peace, but there is a limit to how much the MPLA can give into blackmail, especially when dealing with a man who appears to want power at any costs," a western observer said.

It is unlikely a second round of presidential elections can be *organised within the* 30-day period laid down by the electoral laws, and Unita is certain to demand that the UN plays a bigger role in fresh elections.

Unita officials and Mr Pik Botha, South Africa's foreign *minister, have also said the* UN, *not the government*, must control the election machinery for fresh polls and must deploy at least 5,000 observers, instead of the 400 people who monitored last month's elections.

The MPLA, for its part, is demanding that a more systematic demobilisation and demilitarisation of Unita's armed forces take place before the runoff.

This is unlikely to occur within six months, as the oncoming rains will make large parts of the country impassable.

Itochu in Indian plastics venture

By Stefan Wagstyl in New Delhi

ITOCHU Corp, the Japanese trading group, is ploughing \$50m (£29.2m) into a joint venture plastics plant in India - the largest investment in the country by a Japanese company.

The decision is the most positive response to date by Japanese business to India's economic reform programme. It comes amid evidence of a sharp increase in planned investment in India by Japanese companies, as well as by *US and European* groups.

In the first eight months of 1992 Japanese companies won approval for investment plans totalling Rs5.3bn (£110m), against Rs525m for the whole of 1991. Total foreign invest*ment over the same periods* jumped to Rs28.5bn.

Itochu is investing jointly *with Reliance*, the large Indian textiles and chemicals group, in two factories to produce polyethylene and polypropylene in a project costing about \$400m in total. Each group will take a 25.5 per cent stake, with the remaining capital being raised through a public offering in India.

● Government figures published this week showed India is progressing in efforts to increase exports to promote growth. In the first five months of the financial year starting in April exports rose 4.6 per cent in dollar terms. While exports to former Communist countries, which once had strong economic links with India, fell, exports to hard-currency nations increased 10.9 per cent.

Exports are not growing fast enough to cover increases in imports, which rose 22 per cent, leaving a deficit on the trade account of \$2.3bn.

NEWS IN BRIEF

Quality award for Rank Xerox

RANK XEROX, the office equipment group, has become first winner of the European Quality Award - Europe's answer to the Malcolm Baldrige National Quality Award in the US, writes Paul Taylor. The award has been set up by the European Foundation for Quality Management to promote use of Total Quality Management (TQM) theory in European companies.

Rank Xerox was presented with the award in Madrid by King Juan Carlos. Mr Bernard Fournier, managing director, said: "This reflects the efforts of 28,000 Rank Xerox employees across Europe who, for eight years, have increased customer satisfaction and regained market share by employing Quality principles and practices."

The company was one of four nominees, each a winner of a *European Quality Prize. The others are BOC Group's* UK-based Special Gases business, Industrias del Ubierna, the Spanish-based steel wire, cord and fibre company of Belgium's NV Bekaert group, and European subsidiaries of Milliken, the US textile manufacturer.

Accord on maternity pay

The European Community maternity directive, giving minimum protection to pregnant workers, has been agreed after weeks of wrangling, writes David Goodhart, Labour Editor. Italy, which *was holding out for a better deal*, agreed to abstain, which means the directive can be passed at a meeting on Monday.

The directive will improve protection only in a few countries, including Britain. Original generous maternity pay proposed by *the European Commission* was watered down to 14 weeks' pay at a level no lower than statutory sick pay. But the new deal also provides employment protection as soon as a woman starts work and two weeks' compulsory leave.

Fiat takes over Polish group

Fiat of Italy finally took over Poland's state-owned car manufacturer FSM yesterday under a deal with the Polish government, Reuter reports from Warsaw. The agreement ended doubts *whether* the biggest *foreign* investment in Poland would be completed after a two-month pay strike at FSM.

Swiss doubts on trade bloc

Nearly a quarter of Swiss voters are uncertain how to vote in a referendum in December on whether Switzerland should join the European Economic Area (EEA) *trade bloc, according to a poll* published yesterday, Reuter reports from Zurich. The survey, in the Berner Zeitung, showed 42 per cent would vote in favour, with 36 per cent against and 22 per cent undecided.

Rights activist from Guatemala wins Nobel prize

By Karen Fossli in Oslo and agencies

MS RIGOBERTA Menchu Tum, the Guatemalan Indian and human rights activist, yesterday won the 1992 Nobel peace prize.

The Nobel committee said Ms Menchu, a 33-year-old Mayan, stood out "as a vivid symbol of peace and reconcilia*tion across ethnic, cultural and* social dividing lines, in her own country, on the American continent and in the world".

Ms Menchu is the ninth woman to win the Nobel peace prize. Detained Burmese opposition leader Aung San Suu Kyi won the award last year.

Mr Francis Sejersted, chairman of the Nobel committee, *said the award to Ms Menchu* - on the 500th anniversary of the arrival of Christopher Columbus in the new world - "was not a coincidence, but it was not the only factor" in the selection.

Ms Menchu *said* recently of the anniversary: "There is nothing to celebrate" for "the rights of the Indian people continue to be violated". She returned to Guatemala last week and has been travelling *around the country speaking* to indigenous groups and supporters.

It remained unclear last night whether she could go to Oslo on December 10 to receive the SKr6.5m (£688,750) award, *diploma and gold medal*.

For Ms Menchu it has been a long, often tragic road to the Nobel peace prize.

Before she gained interna*tional recognition as a human* rights activist she worked in the cotton fields of Guatemala and as a domestic servant for a wealthy family.

Her mother, father and brother were killed for their involvement in indigenous rights movements. Fear of suffering the same fate has forced her to live in self-imposed exile *in Mexico City for 11 years. Ms* Menchu said last week she would use the prize to set up a foundation in her father's memory.

Ms Menchu became an international figure when, in 1983, she published her biography "I, Rigoberta," detailing her experiences in Guatemala's polarised society.

In the book she told of how, during her time as a domestic servant for a rich family, she was expected to have sex with the family's sons and was fed worse than their dog.

"And they gave me a few beans and some hard *tortillas*. That hurt very much, that the dog had eaten very well and I didn't deserve the food the dog ate," she wrote.

"I, Rigoberta," now published in 10 languages, brought *the plight of indigenous* people to the attention of Mrs Danielle Mitterrand, wife of French President François Mitterrand, who became a strong Menchu supporter.

Mrs Mitterrand accompanied *Ms Menchu to Guatemala* last year when, for the first time in a decade, she returned home.

Ms Menchu now works with the UN Working Group on Indigenous Populations and the International Indian Treaty Council and spends much of her time in Europe.

In 1986 she narrated the film When the Mountains Tremble, a powerful account of the struggles and suffering of her native Quiche people.

The committee said that in Ms Menchu's social and political work, "she has always borne in mind that the long-term objective of the struggle is peace".

Mr Sejersted conceded that perhaps not all Ms Menchu's civil rights efforts were conducted peacefully, but as a whole the committee saw her work as contributing to the *development of human rights* in a peaceful manner.

"I hope one of the effects of the award will be a better understanding of indigenous peoples in America and around the world," *Mr Sejersted said*.

Despite her international prominence, the Guatemalan government continues to treat Ms Menchu as a pariah. The military accuses her of belonging to the country's leftist *guerrilla movement*, which has been fighting the government in a 30-year struggle that has killed 100,000 people.

Symbol of peace: Rigoberta Menchu Tum during a recent visit to Guatemala

Japanese win HK contract

By Simon Davies in Hong Kong

A JAPANESE consortium has been awarded a HK\$1.6bn (£123m) contract for airport-related infrastructure in Hong Kong, in spite of the continued deadlock between Britain and China in approving financing for the entire airport project.

Kumagai Gumi (Hong Kong), leading a consortium including Maeda, Yokogawa Bridge and Hitachi Zosen, submitted the lowest bid for the Kap Shui Mun bridge and Ma Wan viaduct project.

It is a combined rail and road structure which will ultimately link Chek Lap Kok airport on *Lantau Island* to the mainland via the world's second longest suspension bridge, the Tsing Ma bridge, which is being constructed by a consortium led by Trafalgar House of the UK.

The Japanese tender is for a fixed price and *compares with* the government's estimate of HK\$1.8bn for the project. Announcement of the award coincided with a press conference held by the Chinese side of the Sino-British Airport Committee in *which it com*plained about the spiralling costs of the entire HK\$163bn project.

Chinese concerns, focusing on the margin between 1991 costs and current figures for the *airport project*, were dismissed by Hong Kong government officials as unproductive. But the arguments underline the tense reception Governor Chris Patten is likely to receive when he arrives in Beijing on Wednesday.

UK worried about cost of delays to European fighter project

Spain seeks EFA postponement

By David White in London and Tom Burns in Madrid

SPAIN has told its partners in the European Fighter Aircraft (EFA) that production should be postponed "by some years" because of budget pressures and the changed strategic environment.

However, it said that it still wanted to pursue its collaboration with Britain, Germany and Italy on producing a joint aircraft.

The Italian government has also underlined the constraints on committing new funds to the fighter.

The UK hopes to clarify the situation when defence ministers attend a meeting of Nato's nuclear planning group in Scotland next week.

Italy and Spain currently occupy the middle ground between Germany, which wants to scrap the current £20bn project in favour of a smaller collaborative fighter, and Britain, which wants to stick to the EFA design.

The four partners agreed in August to continue working on prototypes but to put off further development contracts until reviews on industrial costs and military requirements were completed.

More than £5bn of the £8bn allocated to development has been spent.

The Spanish Defence Ministry said it wanted to extend the freeze on new contracts.

British officials accept that plans to bring the new fighter into service in 1998 have now become unrealistic. That schedule would require committing funds to set up production around the middle of next year.

Although the initial sums involved would be relatively modest, this now appears difficult to achieve, with all four partners – including Britain – facing severe pressures on public spending.

Britain is concerned that further delays may add to the fighter's eventual cost. Under the current programme, production orders would be placed in 1995. Later production would add to the problems faced by British Aerospace in filling the gap between the current Tornado programme and EFA.

Spain's Defence Ministry is facing a cut of almost 10 per cent in real terms in its 1993 spending, under a restrictive budget going through parliament.

"We remain interested in EFA for political, technological and military reasons but in the present economic climate we are literally giving the project all that we can and there is simply no more money available," the ministry said.

Germany moves to act on EC legislation

By Quentin Peel in Bonn

KEY amendments to Germany's constitution, granting both chambers of the national parliament sweeping powers to oversee and propose changes to draft legislation for the European Community, have been given the green light in Bonn.

The changes were approved by the joint constitutional commission, representing both Bundestag and Bundesrat, and all the political parties in the parliament.

The two parliamentary chambers can now insist that the German government present all Community legislation to special EC committees – and that it must take the committees' views into account in its subsequent Brussels negotiations.

German parliamentarians believe the plan would give them even more powers to control Brussels' decision-making than those currently enjoyed by Britain and Denmark, which have hitherto been the two member states with the toughest controls.

The move represents a big shift in German thinking towards the EC, in favour of national control of European legislation, as practised in London and Copenhagen, rather than multi-national control through the European Parliament.

"The constitutional commission is not entitled to issue directives... on strengthening the powers of the European Parliament, but it can ensure that the actions and policies of the German representative in Europe are subjected to more intensive parliamentary control," the commission announced yesterday.

The amendments would set up a European Union Committee of the directly elected German Bundestag, and a European chamber of the Bundesrat, in which the 16 German federal states are represented.

German parliamentarians say their committees will be bound to back all measures promoting "democracy and federalism" in Europe, in line with the rest of the German constitution. The British and Danish EC oversight committees have tended rather to resist moves towards greater European integration.

The constitutional changes will eventually have to gain two-thirds support in both houses of parliament, but they already enjoy the necessary cross-party backing to do so.

Yeltsin sets up council of republican leaders

By John Lloyd in Moscow

RUSSIAN President Boris Yeltsin yesterday proposed that the meeting of the full Russian parliament – the Congress of Peoples Deputies – be postponed from its scheduled date in December to next spring.

At the same time, he has created a new level of power, whose authority is unclear – a Council of Republican Leaders, bringing together the presidents of the autonomous republics and regions within Russia. The leaders, meeting in Moscow on Thursday, called for unity among the Russian peoples, and for decentralisation of powers to the republics.

The president warned of attempts to create "parallel structures of power", not just at regional level but also in the centre.

He cited the so-called National Salvation Front, made up of patriotic and nationalistic organisations, as a particular threat.

Yeltsin: warned against parallel power structures

The proposal to delay the Congress, backed by republican leaders, is an effort to avoid the crisis which would result from the likely vote of no confidence in the government from the Congress deputies, most of whom are against the economic reforms.

Mr Yeltsin said yesterday: "We will be able to strengthen the state, provide stability, ensure a transformation, only if we have a solid guarantee of the stability of the institutions of power."

Speaking at a session of the Constitutional Commission, which he heads, the Russian president said the constitution must be carefully revised in order to be acceptable to all republics in Russia.

Rome's labour law provokes dock strike

By Haig Simonian in Milan

ITALY'S 144 ports were yesterday paralysed at the start of a four-day strike by transport unions in protest at the government's decision to push through a new law abolishing their monopoly on dock labour.

The move to convert into law the previous bill on abolishing the closed shop and opening the way to greater private-sector participation in the ports followed action against Italy by the European Commission on competition grounds.

The Commission became involved in the long-running battle between dock unions and private-sector port operators after the latter protested to Brussels that the monopoly breached EC competition rules.

The festering conflict has periodically erupted in violence in Genoa, Italy's biggest port, where private-sector interests are being given greater flexibility in running dock activities. Separately, a subsidiary of the Fiat group is managing a huge new container facility at Voltri, west of Genoa, due to open next year.

Earlier this week, hundreds of self-employed lorry drivers drove through Genoa to demonstrate against the monopoly. Employers claim restrictive practices by dock unions, sometimes supported by left-wing local councils, have held back the development of Italy's ports, many of which are heavily in loss.

Transport unions claim the decision to convert the reform bill into a decree law, bypassing parliamentary debate, is undemocratic. However, support for their stand outside militant strongholds like Genoa is thought to be limited.

Mr Giancarlo Tesini, the transport minister, has urged unions to accept the need for greater competitiveness in the ports. The reforms involve a much bigger role for private-sector shippers and transport companies in running the ports, now dominated by state-controlled port authorities.

No switch for Italian television channels

By Robert Graham in Rome

THE Italian government has decided to leave unchanged for another year the structure of the television industry, split among the three state-controlled channels of RAI TV and the private concessions dominated by Mr Silvio Berlusconi's Fininvest media group.

The decision will allow time for a more measured assessment of the role of state television at a time of extreme financial uncertainty and political change.

The RAI is owned by IRI, the state holding company which in August became a joint stock company owned by the Treasury. This move has thrown into doubt both IRI's continued ownership of the RAI and its funding base. Some deputies are calling for the winding up of RAI or at least the sale of two channels.

These changes, combined with the discredited overt political control of the state television, are forcing a redefinition of the RAI's role. Until now RAI Uno, the main state channel, has been run by the Christian Democrats, RAI Due by the Socialists and RAI Tre by the former communist Party of the Democratic Left.

The structure reflected a wholly different political picture when the Christian Democrats and Socialists dominated the levers of institutional power and the communists were the party of opposition.

The April general elections and the corruption scandals of the past nine months have undermined the authority of the traditional parties. There is also a move for change from within RAI. In the past month RAI Uno journalists have passed a vote of no confidence against Mr Bruno Vespa, the Christian Democrat director of news.

This week the Amato government has put the squeeze on RAI by refusing requests for an increase in licence fees and the amount of time available for advertising slots.

Jubilee Line cash call to 11 banks

By Robert Peston

LORD WAKEHAM, leader of the House of Lords, has urged the chairmen of Lloyds and Barclays banks to persuade the 11 bankers to the troubled Canary Wharf development to make a no-strings cash contribution towards the cost of building the underground Jubilee Line extension.

The request is understood to be an important shift in the government's intentions towards the Jubilee Line extension. Up to now, bankers have feared that the government was happy for them to make an inadequate offer because that would have provided the Treasury with a convenient excuse to cancel the project and save public expenditure.

Sir John Quinton, chairman of Barclays, and Sir Jeremy Morse, chairman of Lloyds, were acting as representatives of Canary Wharf's 11 commercial banks in a meeting earlier this week with Lord Wakeham, who is chairing a government committee on London's docklands.

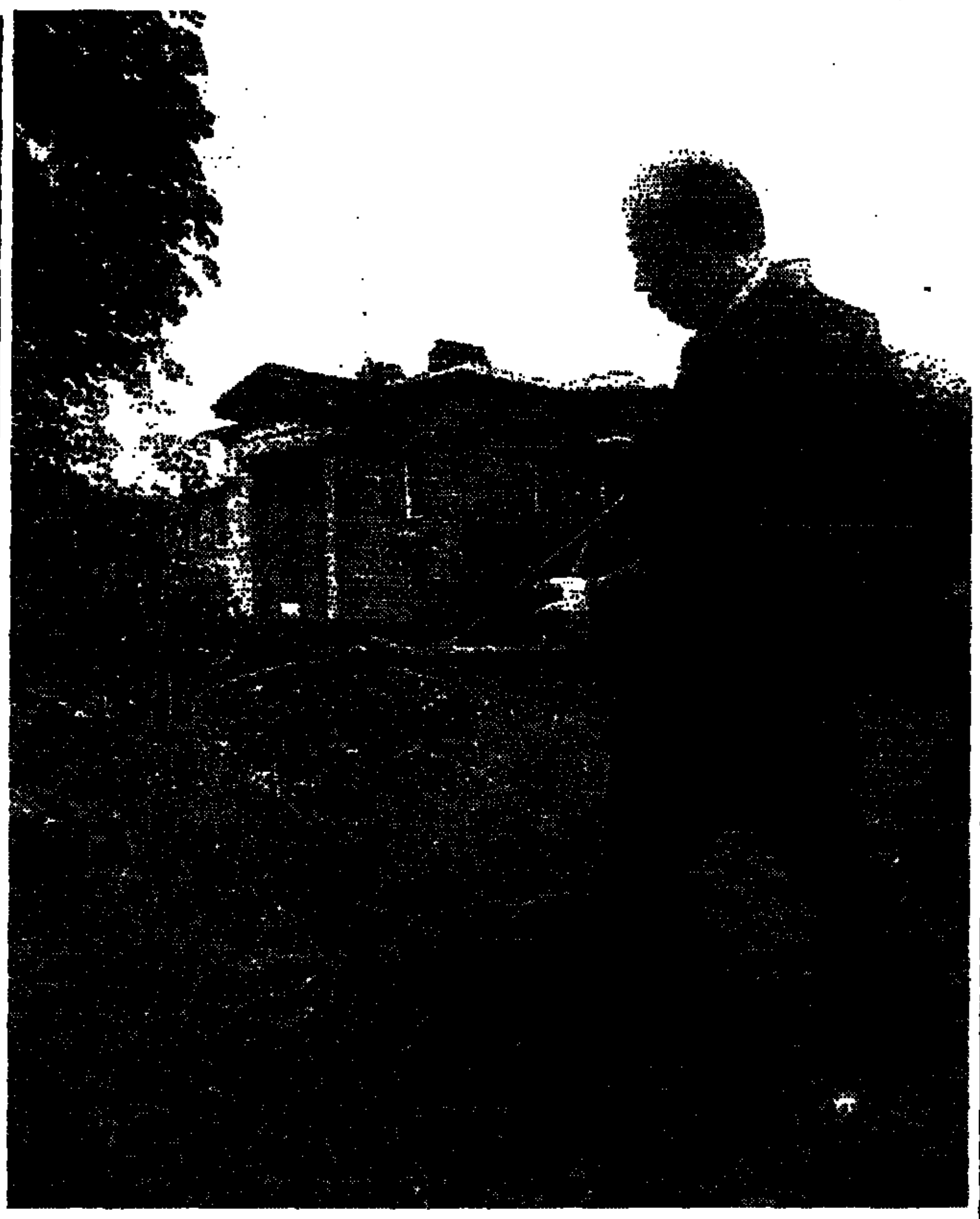
Lord Wakeham indicated that if the banks made the no-strings offer, the line would probably be built. A government source said yesterday that money had been allocated under the public expenditure round for the Jubilee Line, conditional on the banks coming up with their share.

Bankers warned yesterday that the Jubilee Line extension to London's docklands may yet be scrapped, since it will be difficult to persuade all 11 banks, nine of which are foreign, to make a a no-strings offer towards a UK transport project.

The banks have already offered £390m towards the Jubilee Line's £1.6bn costs. However the first two payments totalling £98m are conditional on the government moving civil servants to Canary Wharf. The Treasury is adamant that the funds should not be conditional on any form of government support.

Canary Wharf's banks, which have lent £576m to the project, have to decide in the coming week whether they can make an unconditional offer of funds. One banker said yesterday that he was very doubtful whether all 11 could be persuaded to do so.

An offer is unlikely unless all banks participate. The banks have yet to decide whether there is a role in a revised offer for the European Investment Bank, which has a £100m Canary Wharf loan.



Gardener John Woodward prepares the grounds of Longhirst Hall near Morpeth, Northumberland, which is being converted into a £10m business training centre. The listed mansion is being refurbished by Northumberland Training and Enterprise Council and will open next year

Rover unions back 7.3% 18-month deal

By Lisa Wood, Labour Staff

UNIONS at Rover have recommended acceptance of a two-stage 18-month pay deal worth a minimum 7.3 per cent which would take effect after the current pay freeze.

The six-month pay freeze for the UK carmaker's 34,000 workers was imposed last month. The first stage of the increase, if agreed, will take effect on May 1, instead of the company's normal November 1 settlement date.

The package illustrates the continuing downward pressure on private-sector pay, with settlements currently running at about 4 per cent. The government wants increases in public-sector pay – which are now rising faster than those in the private sector – depressed to about 2 per cent a year, its target for long-term inflation.

Pay talks at Rover lasted three days and both management and unions said the talks had gone "smoothly".

Mr Tony Woodley, national officer with the TGWU general union, described the package as "reasonable" for both sides.

He said there was no doubt that a guarantee of no compulsory redundancies agreed recently with Rover had played an important part in negotiations. The job-security guarantee was made as part of the company's "new deal" reforms in working practices.

Under the latest pay agreement, pay would rise by 3.6 per cent, with a second 3.6 per cent increase from November 1993 for one year.

The package contains an inflation trigger – should inflation exceed 4 per cent next October employees would get a lump-sum payment of £150, equivalent to an extra 1.2 per cent for production-line workers who earn about £240 a week.

The complicated package would give some 5,000 skilled workers an additional 3 per cent, according to union negotiators.

Mr Woodley said the package contained 24 separate improvements including increased holiday entitlements.

The Rover pay freeze followed recent moves by Ford and Rolls-Royce to cut 2,500 jobs in the UK as the recession continues to take a heavy toll on the British motor industry.

The freeze includes directors and senior managers as well as shop-floor workers. Mr John Towers, group managing director, said it was necessary to "help protect the company from the worst consequences of the recession".

Ofwat fails to agree all price deals

OFWAT, the water industry regulator, said yesterday that it had failed to agree on next year's price rises with four of the 19 water companies which it had asked to restrain prices, Bronwen Maddox writes.

North West Water has asked Ofwat formally to reconsider its judgment. South West Water, South East Water and Three Valleys Water Services are still negotiating and have until December to reach agreement.

Two weeks ago Ofwat asked the 19 companies to hold back price increases by an average 2 percentage points below the level permitted by their licences.

Most of the companies that have reached agreement have persuaded Ofwat that the restraint should be between 0.5 and 1 point because of extra spending to meet environmental rules.

Stock Exchange delisting ruling

PROCEDURES followed by the London Stock Exchange when it delists companies do not need to be referred to the European Court of Justice, the Court of Appeal in London has ruled.

The ruling overturns a High Court decision in July under which the Exchange's interpretation of the EC's 1079 admissions directive was to have been referred to the European court. This followed an appeal by shareholders in Titaghur, a Scottish-based jute company.

Customs rules on VAT recovery

COMPANIES will no longer be able to recover VAT paid on fees to advisers for work on takeover bids or share issues, Customs and Excise has said.

The announcement follows a European Court of Justice ruling on the ability of holding companies to recover the tax involving Polysar Investments Netherlands.

Lord Franks: academic and veteran of many committees

OBITUARY

LORD FRANKS, who died this week at the age of 87, was one of the few remaining British figures whose career spanned the Second World War and the post-war reconstruction and who was still active in the 1980s – when he headed the review committee into British policy towards the Falkland Islands.

There was a time when no senior committee of inquiry could be formed without thinking of the possibility of Franks as chairman. His name also came up whenever a top public job was on offer – whether director-general of the BBC, secretary general of Nato, or the governorship of the Bank of England. Yet in spite of this pre-eminence in the world of affairs, he spent much of his time in universities.

Oliver Franks was born in 1905, the son of a clergyman. The protestant influence perhaps never left him. He was educated at Bristol Grammar School and Queen's College, Oxford, where he became a fellow in philosophy. Academe might have held him for the rest of his life – he had spells at the universities of Chicago and Glasgow – had it not been for the outbreak of war. Franks was summoned to the Ministry of Supply and by 1945 was the permanent secretary there.

After the war he became provost of Queen's, but the call of public life was never far away. Franks was active in the work that led to the formation of what is now the Organisation for Economic Co-operation and Development (OECD). In 1948 he was appointed British Ambassador to Washington.

In politics and life-style he was perhaps closer to Attlee than Churchill and in 1952 he returned to London where he became chairman of Lloyds Bank.

It is for his chairmanship of committees that he will be mostly remembered. When the future of higher education was under scrutiny, Franks chaired an unofficial committee on Oxford which recommended widespread reforms and even considered the radical possibility of turning Oxford and Cambridge into entirely postgraduate institutions.

In the early 1970s, he led the committee on the Official Secrets Act which came down in favour of limiting secrecy and introducing a freedom of information act. The latter has not yet been implemented.

From 1962-76, Franks was Provost of Worcester College Oxford. Shortly before he took up the post, he had stood for the chancellorship of the university and in a famous election lost to Harold Macmillan. It was said that Macmillan would have been happy to reward him with the governorship of the Bank of England.

Figures like Franks – in so far as there were very many of them – were thought to have gone out under the premiership of the then Mrs Margaret Thatcher, who disliked royal commissions and anything like them. Nevertheless, in the aftermath of the Falklands War it was to Franks that Mrs Thatcher turned for an investigation of the events that led up to it.

He produced a masterpiece of Civil Service prose which, closely read, was much more damning of British conduct than was generally realised. It is probably true that there is unlikely to be a public figure like Franks again.

Major abandons policy for crisis management

MR JOHN MAJOR could not escape the painful irony. At last week's Conservative party conference he was pursued by journalists demanding to know how he would bridge the deep divisions in his party over Europe. As he set about that task at the Birmingham summit yesterday he was dogged by journalists aghast that he was absorbed in the arcane intricacies of European decision-making when the coal closures threatened to push Britain's economy from recession into slump.

It was no use the prime minister crying foul. After its mishandled decision to shut down nearly a third of Britain's coal mines, the government faces the most turbulent period in British politics since the winter of discontent which brought down the Labour government in the late 1970s.

Belated realisation of that dismal prospect jolted Mr Major into ordering yesterday's cut of 1 percentage point in interest rates. But the government has yet to demonstrate that it has fundamental answers equal to the crisis.

The most startling development has been how the decision to shut down the pits crystallised discontent across a broad swathe of the Conservative party. As cabinet ministers admitted privately that they had simply failed to foresee the scale of the popular backlash against the closures, the fate of 30,000 miners replaced Europe as the lightning conductor for the deep disquiet among Tory MPs.

Governments are frequently accused of being callous about the fate of their citizens. They are used to being charged with incompetence when things go wrong. But, as one of the most thoughtful of Mr Major's ministers admitted this week, when both charges can justifiably be levelled simultaneously, a government must be ready to acknowledge that it has lost its grip.

The minister might have added that something has gone terribly wrong when a Conservative government contrives to allow Mr Arthur Scargill, leader of the NUM, to present himself as a credible representative of the popular mood.

Mr Major is not alone in the firing line. Mr Michael Heseltine, one of the most experienced ministers in the cabinet, has seen much of the gloss stripped from his reputation by the handling of the coal decision. Ministerial colleagues can scarcely believe that the trade and industry secretary was bounced by British Coal into bringing forward the announcement because of a spate of leaks – particularly since many of those were traceable to government ministers.

No-one should doubt Mr Heseltine's capacity for recovery – but even his admirers were admitting that grand talk of a strategy to revive the manufacturing sector now had a distinctly hollow ring.

Mr Norman Lamont's apparent inability to foresee that an immediate shutdown of the pits would snuff out the remaining embers of hope for an end to the recession has reinforced the judgment of cabinet colleagues that the chancellor is living on borrowed time. Shunning those who he suspects of conspiring against him, Mr Lamont has the look of a beaten man.

The failure of those charged with presentation of government policy to provide a convincing explanation of how the pits decision was reached – yesterday's announcement that Mr Heseltine had told most cabinet ministers on Tuesday only added to the confusion – has strengthened the impression that Mr Major's closest advisers are political amateurs.

It was not until the Tory press had subjected the government to more than 48 hours of sustained invective that Downing Street realised that there was some significance in the way ministers had decided to put another 30,000 people on the dole.

The cut in interest rates will ease some of the more immediate pressure at Westminster by detaching some recruits to the threatened backbench rebellion when MPs debate the closures next week. But the blunt criticism yesterday from Mr Marcus Fox, chairman of the influential 1922 committee of backbench MPs, provided a reminder that lower mortgage costs might not be enough to prevent a defeat at the hands of the Opposition.

Lower borrowing costs carry with them a more serious risk. Yesterday's long Treasury justification for the relaxation of policy only reinforced the impression that the government had been panicked into the move by this week's critical headlines.

On Monday Mr Lamont, in his evidence to the Treasury select committee, stressed that the combination of sterling's devaluation and the 1 point cut in rates announced last month provided ample scope for economic recovery. Only one thing had changed by yesterday – the government's announcement of pit closures.

Mr Lamont and his colleagues can now do no more than pray that the markets do not respond next week by sending the pound into free-fall. Putting rates up again would, in the words of one minister, be "unthinkable". But so too would be another substantial devaluation.

Some in the Tory party – and in the government – are drawing a still more dangerous conclusion. Their fear is that the vacuum at the heart of economic policy left by sterling's departure from the European exchange rate mechanism is being filled not by a rational assessment of priorities but by a series of reflex short-term responses to whatever happens to be the latest crisis. The raison d'etre of economic policy for the past two years – the defeat of inflation – has been unceremoniously dropped in favour of crisis management.

Those in the cabinet who believe that sterling can and should be returned to the ERM after a decent interval are fearful that over the next few months the government may once again throw away the prize of medium-term economic stability.

Next month Tory MPs will be asked to swallow the bitter medicine of deep cuts in public spending. Many more than 30,000 jobs may be put at risk. The question one minister was asking was whether Mr Lamont would then feel obliged to lop another point off interest rates to make it palatable.

Mr Major is convinced that he will survive the storm with his economic and European policies intact if not unscathed. There is no tangible evidence of a serious threat to his leadership. But in recent weeks his government has looked like a bystander at the mercy of events. It cannot afford another mistake like this week's.

Philip Stephens

Lenders hold back from instant action

By Scheherazade Daneshkhu and Andrew Taylor

MOST building societies yesterday held back from an instant mortgage-rate cut after the base rate cut as housebuilders, homeowners and estate agents tried to weigh up the consequences of a week which has seen interest rates lowered by a further percentage point and 30,000 miners' job losses announced.

Abbey National, the bank, National & Provincial, the eighth largest building society and Northern Rock, the 11th largest, all announced mortgage rate cuts to 9.25 per cent yesterday, with immediate effect for new borrowers and from December 1 for existing borrowers.

North of England Building Society said it was making available for some borrowers a rate of 8.35 per cent – its lowest for 20 years. Other lenders promised rate cuts that they would quantify later.

The prospect of a further reduction in mortgage interest rates would normally be expected to stimulate house sales and prices, but there was only a weak cheer when the Bank of England signalled the latest cut in base rates. Housebuilders say most people are more concerned about the possibility of losing their jobs than about saving a few pounds on mortgage bills.

Mr Neville Simms, chief executive of Tarmac, Britain's biggest housebuilder, said: "Any reduction in interest rates is welcome, but sales are unlikely to revive until people feel more confident about the economy and in particular about whether they will have a job this time next year."

Mr David Holliday, president of the Housebuilders Federation, whose members build 90 per cent of the country's homes, said the latest cut was "a step in the right direction, but unlikely to stimulate an immediate recovery in the housing market".

Abbey National, which cut its rates to 9.6 per cent for new borrowers on Tuesday, but postponed an earlier cut in its rates from November 1 to December 1 for existing borrowers, said the base rate cut was "better news than we were expecting".

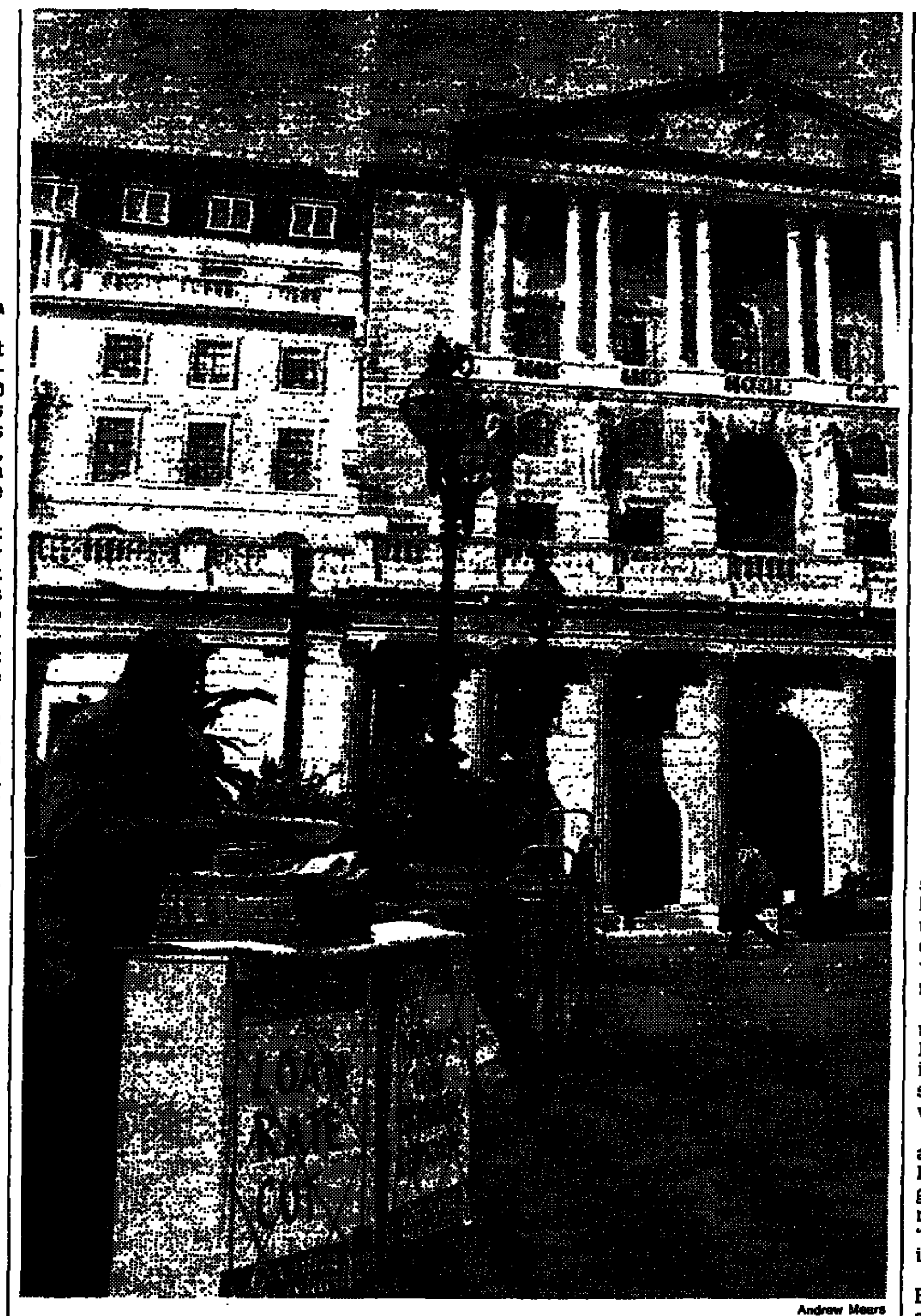
The new 9.25 per cent rate applies to loans under £60,000. Rates for loans of £60,000 to £100,000, are 9.05 per cent and 8.85 per cent for loans over £100,000. These too apply to existing borrowers from December 1.

Halifax, the country's largest building society, promised that new mortgage rates would be announced soon and said its planned cut from 10.65 per cent to 9.99 per cent in response to the last base rate cut would still take effect for existing borrowers from November 1.

Nationwide, Woolwich, Bradford & Bingley and Britannia said they were considering their position. Alliance & Leicester said it would cut rates for existing borrowers on December 1 and announce the size of the cut next week.

Woolwich said the size of its planned drop in mortgage rates would have to take into account the needs of investors.

The Big Four banks all said their mortgage rates were under review.



Andrew Mears

Behind the edifice: the Bank of England's 1 point rate cut had much to do with economic policy – and with the need to quell a threatening Tory backbench revolt after the pit closure proposals

Industrialists call for more of the same

By Michael Cassell, Business Correspondent

THE latest interest rate reduction was given a warm welcome by the business community last night, although there were renewed calls for additional measures to help end the recession.

While the Engineering Employers Federation warned that cheaper money might feed directly through into increased consumer spending, rather than into higher investment and increased exports, retailers said improved consumer confidence was essential.

Mr Brian Pitman, chief executive of Lloyds Bank, welcomed the interest rate cut but warned that it would not on its own lead to economic recovery.

"It's no longer a problem of people lacking confidence. Businesses are paralysed by uncertainty". He added: "Ever since Black Wednesday there has been an increase in this uncertainty". He feared the country was locked in a "downward spiral" and warned of the risk of a "slump".

Sir Denys Henderson, chairman of Imperial Chemical Industries, joined industrialists in welcoming the reduction but said "still bolder" measures were needed.

Mr Ian McAllister, chairman and chief executive of Ford of Britain, said he understood the government's need to stage rates cuts in order not to "throw away" gains made in its anti-inflationary policy.

"We'd like to see more cuts. But they've got to be balanced against the effect on sterling and inflation," he added.

Mr McAllister also called for an increase in road-building and other capital investment programmes to give the construction and other industries a kickstart.

Mr Colin Hope, chairman of motor components group T & N and president of the Society of Motor Manufacturers and Traders, said the cut was "probably as much as the government can sensibly do at this time". More cuts were needed to improve all-round confidence.

The Confederation of British Industry described the cut as the move "business has been looking for", claiming the reduction was justified by the weakness of the economy and progress in reducing inflation.

Mr Peter Morgan, director general of the Institute of Directors, said the chancellor had now "completed the interest rate action required" when the UK left the exchange rate mechanism. But the Federation of Small Businesses said it wanted rates down to 5 per cent.

Sir Malcolm Field, managing director of retailers W.H. Smith, welcomed the interest rate cut but said it was unlikely to make a significant difference. "It all helps but until such time as the housing market improves and people have more confidence then I do not believe it will be material," he said.

Mr John Randall, finance director of MFI, the UK's biggest furniture retailer, said he believed the interest rate weapon may now be of only limited use in stimulating consumer demand in the absence of other measures to restore growth in the economy.

Rebellion opens the way for Labour

By Ralph Atkins

THE REBELLION among Tory MPs over the British Coal closures accelerated yesterday – giving Labour a real chance of engineering a defeat for the government in next Wednesday's Commons debate.

The list of Conservatives publicly questioning, if not openly opposing, the decision already exceeds the 11 necessary to wipe out the government's 21-strong majority in the Commons.

It is not yet clear whether the extra help for miners announced last night by Mr John Major – coupled with strong lobbying expected this weekend by government business managers – will stop enough from abstaining or voting against the government next week.

The two most vociferous Tory opponents, Mrs Elizabeth Peacock (Batley and Spen) and Mr Winston Churchill (Davyhulme) said they were looking to see the government overturned.

Fresh recruits yesterday who might yet defy the government whips include Mr David Tredinnick (Bosworth), who called for a "breathing space" before closures are implemented. He said some collieries could be bought out by miners and accused British Coal of trying to protect its monopoly. Mr Tredinnick is "reserving his position" on Wednesday's vote.

Mr James Cran (Beverley) said the level of protest from his constituents had been unprecedented. "In the light of what public opinion is clearly showing, I hope that the government has got an open mind," he said.

Mr James Pawsey (Rugby and Kenilworth) said: "The speed with which these proposals have been brought forward is precipitous."

Other Tories who have objected in varying degrees to the closure include Mr William Cash (Stafford), Mr David Nicholson (Taunton), Sir Rhodes Boyson (Brent North), Mr John Carlisle (Luton North), Sir Teddy Taylor (Southend East), Mr David Knox (Staffordshire Moorlands), Mr John Biffen (Shropshire North), Mr Nicholas Winterton (Macclesfield), Mrs Ann Winterton (Congleton) and Mr Michael Clark (Rochford).

PSBR exceeds forecasts by £1bn

By Peter Marsh, Economics Staff

GOVERNMENT borrowing last month came to £4bn, roughly £1bn higher than expected, as the recession cut tax income and pushed up spending in areas such as social security payments.

The public sector borrowing requirement for the first six months of the current financial year came to £18.4bn, compared with £10.8bn in the corresponding period last year.

Excluding privatisation proceeds of £1.4bn, the PSBR for the month came to £5.4bn, one of the biggest monthly totals on record. The privatisation receipts came from part payment from investors who have taken a stake in the regional electricity companies.

News of the worsening state of public finances underlines the probability that the 1992-93 PSBR will exceed the Treasury's forecast of £28bn. Many City economists think the figure will turn out at between £32bn and £35bn.

Total cash outlays by central government departments last month totalled £19.5bn, compared with £19.3bn in August and £17.9bn in September 1991.

Over the first six months of the financial year which started in April, the spending total came to £114.3bn. This figure, which is arrived at after subtracting privatisation payments, is 8 per cent more than the £105.5bn total for the corresponding period last year.

Lamont predicts recovery based on low inflation

Mr Norman Lamont issued this statement after cutting interest rates:

HAVING reviewed with the Bank of England the various indicators of inflationary pressure, I have concluded that a further cut in interest rates of 1 per cent would be fully consistent with the government's inflation objectives as set out in my statement to the Commons' Treasury and Civil Service Select Committee.

MO [the narrow measure of the money supply] is close to the centre of its target range. Although no monitoring range has been set for M4 [the broad measure of the money supply] its annual rate of growth, approaching 5 per cent, is at its lowest level for 20 years. M4 lending is also growing slowly.

House prices fell 2.75 per cent last month, bringing the fall over 12 months to 7½ per cent. Surveys of inflationary expectations point to continuing downward pressure. The producer prices index, excluding food, drink and tobacco, rose by only 2.6 per cent over the past year. There has not been a lower rate of growth since 1969.

Recent data and surveys, in this country as in the rest of the world, show that disinflationary forces remain strong and confidence weak.

The exchange rate has fluctuated around a level which, in current conditions, does not pose a significant threat to the government's inflation objectives in the short term.

These indicators, on top of the progress we have made in curbing inflation, provide a firm basis for a sustainable reduction in UK interest rates. This will be welcome to millions of families up and down the country with mortgages; and to British business, which now has the lowest official interest rates in the European Community and a highly competitive exchange rate.

We have now had a substantial, but justified, easing of monetary conditions since sterling's membership of the exchange rate mechanism was suspended.

Provided cost and price inflation are kept firmly under control, British industry can look forward with confidence to a pick-up in domestic and overseas sales.

Over the weeks ahead the government will be consulting closely with industry; and I shall set out the prospects for the British economy, together with the government's expenditure plans, in the Autumn Statement next month.

A recovery based on low inflation is the only path to the secure jobs and rising prosperity we all want to see. I am not prepared to place that prospect in jeopardy by taking any risks with inflation and will be ready to tighten policy if our inflation objective should be threatened further ahead.

The politics of panic behind the cut in interest rates

By Peter Norman, Economics Editor

BRITAIN'S homeowners and businesses are now in debt to the nation's beleaguered coal miners.

The government would not have cut bank base rates by one percentage point to 8 per cent around noon yesterday had it not become embroiled in a bitter political crisis over its plans to axe 30,000 mining jobs.

Before yesterday's announcement, there were growing expectations that further cuts in base rates were in the offing following the 1-percentage-point cut to 9 per cent on September 22 in the week after Black Wednesday. But it had looked as if the government might delay the rate cut until next month's Autumn Statement containing its public spending decisions for 1993-94 and its latest economic forecasts.

The timing of yesterday's cut – coming at midday instead of at 10am – smacked of panic. Other circumstances pointed to a hasty decision.

On Monday, Mr Norman Lamont, the chancellor, at the Commons Treasury and Civil Service committee, had indicated that there would be no rapid lowering of rates. Later in the week, the Bank of England's money market operations had suggested that 9 per cent base rates were likely to be in place for at least the rest of this month.

The final decision to cut rates was only taken yesterday morning in a meeting at the Treasury attended by Mr Lamont, Mr Robin Leigh-Pemberton, governor of the Bank of England, Sir Terry Burns, Treasury permanent secretary, Mr Eddie George, Bank deputy governor and a number of Treasury officials.

Although the timing of the cut was clearly linked to the government's difficulties over the planned pit closures, yesterday's statement by Mr Lamont provided a number of powerful arguments to justify the reduction of base rates to their lowest level since June 1988.

The chancellor's references to M0, the narrow measure of money supply, M4, the broad money measure, house prices and the producer prices index were consistent with the government's new approach of basing decisions on interest rates on a number of financial indicators. The statement also went some way to meeting the government's promise to explain its monetary policy more clearly to the public following sterling's abrupt departure from the European exchange rate mechanism.

What the chancellor did not explain was how the government and the Bank of England were taking a much gloomier view of the UK economy following events over the past week.

Since Mr Lamont appeared before the Treasury committee, the government had been given news of falling industrial production in August, rising unemployment in September and also had access to Bank of England figures, due next week, pointing to continued slow monetary growth and subdued bank lending last month. The coal closures, quite apart from the political damage that they caused, were another economic factor to take into account. The events of the week had also damaged consumer and business confidence.

Developments in financial markets also favoured lower interest rates. For the domestic money market, it had become a question of when, not whether. Increasingly, foreign exchange market analysts were arguing that the prospect of a long recession was weighing more heavily on sterling than the likelihood of a cut in interest rates.

It emerged yesterday that a reduction in base rates to around 8 per cent had been under consideration by monetary authorities since Britain's departure from the ERM on Black Wednesday.

In the view of the both the Bank and the Treasury, UK monetary conditions had become far too tight while sterling was linked to the strong D-Mark and Britain was unable to bring its interest rates below German levels in the ERM.

After leaving the ERM, the government had set about rebalancing policy – easing monetary conditions through lower interest rates against the background of sterling's trade weighted devaluation of around 10 per cent – while finalising tough public spending decisions.

Officials would have preferred to delay yesterday's rate cut until the Autumn Statement was ready. But political necessity intervened. The decision to cut rates was probably two-thirds rational economic judgment and one-third political opportunism.

The anticipatory nature of the rate cut suggests that the authorities will not be quick to follow up with a further sharp reduction in rates. The feeling among officials is that monetary policy has been adjusted to compensate for the earlier excessively tight conditions in the ERM.

Both the Bank and the Treasury will be watching carefully to see how sterling reacts to developments. There will inevitably be some inflationary impact as a result of its depreciation since Black Wednesday, although the recessionary forces in the economy are now felt to be so strong that this will be limited.

There is some concern that sterling – at around DM2.44 yesterday – is undervalued against the D-Mark and that this could create unwelcome inflationary pressures if maintained for more than a few months. But it is hoped that sterling will recover against the D-Mark as the economy picks up and when Germany cuts its interest rates. However, yesterday's decision on base rates was not based on any expectation of an early relaxation of German monetary policy.

The unanswerable question is whether 8 per cent base rates will suffice to bring the UK's longest post-war recession to an end. Even before the plans to close down much of Britain's coal industry, the August drop in industrial production suggested that gross domestic product in the non-oil onshore economy would be either flat or fall again in the third quarter. This week's news has done nothing to allay fears that unemployment will keep on rising.

The international economy is also deteriorating. The Organisation for Economic Co-operation and Development this week revised down its expectations of growth in the industrialised world to 2.1 per cent next year from the 3 per cent forecast in June. Unemployment is expected to average more than 10 per cent in the OECD's European member states next year as growth averages only 1.5 per cent.

There is some good economic news to be found in Britain. Unit labour costs – up 1.8 per cent in August compared with August last year – are rising less than in other big economies. Foreign manufacturers are also buying more from Britain. But the bad news continues to outweigh the good, depressing confidence and making uncertain the expansionary effect of cuts in interest rates.

NEWS: UK MINING CLOSURES

Cabinet version of events revised

By Philip Stephens, Political Editor

DOWNING Street yesterday sought to salvage something from the public relations wreckage surrounding this week's pits closure announcement by insisting that most members of the cabinet had been informed before the decision was made public.

Delivering the third version in as many days of the precise mechanics of the decision, officials said Mr Michael Heseltine, trade and industry secretary, had forewarned colleagues of the announcement at a cabinet committee meeting on Tuesday morning.

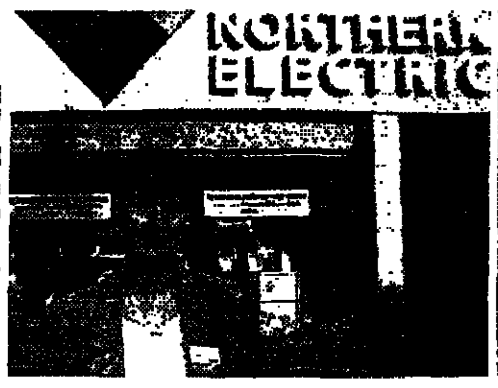
The committee – on overseas policy and defence – had been attended by all but four cabinet ministers. Those absent were Mrs Virginia Bottomley, health secretary, Lord Mackay of Clashfern, Lord Chancellor, Mrs Gillian Shephard, employment secretary, and Sir Patrick Mayhew, Northern Ireland secretary.

Downing Street said Mr Heseltine had informed the group that the announcement – originally planned for next week – was being brought forward at the request of British Coal to end uncertainty.

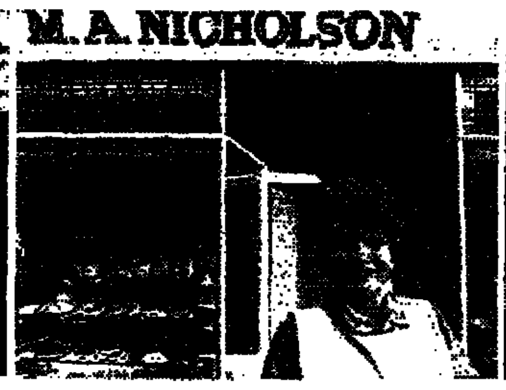
The officials stressed also that a number of senior ministers – including Mr Norman Lamont, the chancellor, and Mr Kenneth Clarke, home secretary – had been involved for several weeks in talks with Mr John Major, the prime minister, and Mr Heseltine on the scale of the closures. Others such as Mr Peter Lilley, social services secretary, had been brought in to the discussions at various points.

But the explanation, which followed days of confusion as to why Thursday's cabinet meeting had been asked merely to rubber stamp such an important decision, failed to dispel disquiet among some ministers about the apparent ability of British Coal to "bounce" Mr Heseltine into an early announcement.

Ron Wood: "Byron hated the bloody town. I can't blame him"



Joan Frail: "At the end of the year it's possible more shops will close"



Carole Shaw: "Barnardo's second-hand clothes business is brisk"

John Webster: "We went through a year's pit strike and came through"

When a community loses its heart

Richard Donkin reports on the mood in Seaham where the town's last pit ceased production yesterday

THE FIRST storms of the winter were sending waves crashing over the outer piers of Seaham harbour yesterday as the winding gear of the town's remaining pit winched up men on the final day of production. Facing seawards, the blank expressions of the miners gave no hint that they were witnessing the end of Seaham's industrial heritage.

Mining breathed life into this Durham town. Before the last century it was a small rural settlement, but coal production led to the creation of a railway and a bustling harbour. Foundries were built and a bottle works thrived for a time. The industry has gone and the Vane Tempest colliery is the last of the town's mines.

The bodies of the 163 men and boys who died in the town's great colliery disaster in 1880 are still entombed in sealed underground workings at the old Seaham colliery. Now Seaham, with a population of about 35,000, is withering with its dying pits.

Seaham has seen better days, but it has never been a prosperous town. People used to search the beach for coal when times were hard. The sand is still black – so moonlike that the makers of a new science-fiction film used it as the backdrop for a desolate planet.

In spite of their sadness at the pit closure, the townspeople remain stoically cheerful, retaining a sense of humour. Mr Ron Wood, who runs the franchise of Swinton Insurance, in Church Street, the main shopping centre, says: "Personally I think the future for the area is tourism. Lord Byron used to live here. Mind you Byron hated the bloody town. I can't blame him." Swinton's says this week was "make a will week" – but there had been no takers.

Church Street sells everything necessary to sustain life, but little more. Even the Woolworths closed three years ago. The few shops selling electrical goods are anxious about their prospects now all the pits have gone.

Mrs Joan Frail, manager of the Northern Electric shop, is offering deferred payments until next March on some goods with a 20 per cent down payment. In a further promotion the shop is offering vouchers of £100 to £200 that can be used against holidays for customers who buy on credit.

"But if people can't afford to go on holiday in the first place it isn't much good," she says. Her own company has just made 98 people redundant in its retail division. "At the end of the year it's possible that more shops will close," she says. "I just hope that the Seaham branch of Northern Electric isn't one of them."

The town's bakeries continue to do a brisk trade, selling a staple food. Mrs Lorna Huntley, married to a retired miner, and an assistant at Nicholson's bakery for the past 22 years, says: "We make good bread that people can still afford. Our boss understands people's problems and hasn't increased prices for one and a half years. The bread is selling well but people are buying less confectionery and cakes."

Foggin's newsagents also looked busy. "The local papers are going well because they have all the jobs in them," says Mrs Dorothy Carr, the owner.

Unlike most of the UK at the end of the 1980s, house prices never jumped much in Seaham so they hadn't dropped much either, says Mr David Shaw, who runs a town-centre estate agency. Average house prices are about £25,000. Business is slow, he says: "The house market is so bad that I don't think the closure of the pit could make much difference."

Seaham's building societies are looking forward to a rush of deposits when miners bank their redundancy payments, but mortgage lending is low. "These days house buyers tend to take a mortgage protection policy as a matter of course," says Mrs Janice Ferguson, manager of the Northern Building Society.

The Vane Tempest closure had not been unexpected, she says. The husband of Mrs Irene Henderson, one of the society's officers, has just taken redundancy at the pit. She has no idea where he might get another job.

Not all businesses are doing badly. The Zodiac Video centre next to the parish church is part of an expanding chain. The most popular video this week is Cape Fear. Mrs Margaret Drysdale, the manager, says: "People have nothing else to do. They probably just watch the telly."

The small jewellers' shop in Church Street gives the impression that there must be some demand for luxury items in the town, until you go inside and talk to Mr Wilfred Dunn, the proprietor. "I don't sell much," he says. "It's the repairs that keep me busy. You can't sell luxury goods here."

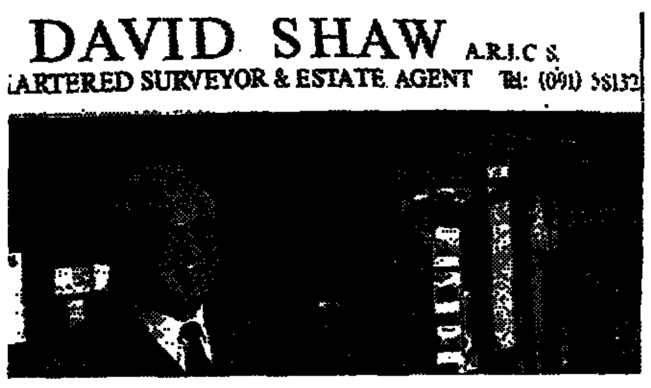
This is confirmed by the experience of Mrs Carole Shaw, manager of Barnardo's second-hand shop. She described business as brisk, with the average price of clothes in the shop between £2 and £3.

Mr Eddie Owsnett who owns a pork and beef butcher's in the town said one of his specialities in increasing demand is the 50p savoury dip. This consists of a bread bun, coated with peas pudding on one side, sage and onion stuffing on the other and containing meat trimmings in the middle, dipped in gravy and served up hot as a lunchtime snack.

Mr Allen Brooks, the fishmonger, says: "A few retired people are moving into the area from the south so that could partly compensate for the downturn. But morale is certainly low in the town."

Meanwhile, the Seaham job centre has just 12 local jobs on its noticeboard. The town has about 1,500 people unemployed, but the number of jobless will increase immediately after the 900 redundancies at the colliery. "It will decrease my chances of getting a job by 50 per cent," says one of the fishermen digging for worms in the harbour. "There's nothing else for me to do but fish."

But it would be wrong to describe Seaham as a gloomy town. Its people have suffered too many disappointments to be depressed about the latest blow. "We went through a year's pit strike and came through it," says Mr John Webster, who runs a high street wallpaper shop. People have pride in their homes and they still want to decorate. They have time on their hands.



Estate agent David Shaw: House market so bad pit closure won't make much difference

Increasing demand for 50p savoury dips - a speciality of butcher Eddie Owsnett

TUC aims to take lead in protest

By David Goodhart, Labour Editor

THE general council of the Trades Union Congress will today try to place itself at the head of the protest aimed at reversing the government's pit-closure decision and link its campaign to a broader initiative to combat unemployment.

Mr Bill Morris, leader of the TGWU general union, said the British people had "drawn a line in the sand and said – so far, no further".

Mr Morris and Mr John Edmonds, leader of the GMB general union, are proposing a six-point programme to the TUC to include a mass demonstration next weekend, a moratorium on pit closures, and a £10bn stimulus to the economy.

Mr Morris suggested that some of the £10bn could be raised through a one-off "windfall" tax on the profits of the privatised utilities. He said: "There is a great vacuum of leadership on the economy at the moment and the TUC must try to fill that and speak for the people of Britain."

Mr Edmonds proposed a national recovery forum to discuss a short-term recovery package. "We need a spark to re-ignite the British economy," he said. He pointed to the £20bn stimulus that the Japanese government was applying to its economy as a model.

Mr Edmonds said the government and all sides of industry should set aside their political and ideological differences to establish such a recovery programme. Mr Morris and Mr Edmonds are seeking a meeting with the senior management of the electricity generation industry and British Gas.

Some union leaders believe the response of both the TUC and the Labour party to the pit closures has been inadequate. They believe there is now a real chance to force a U-turn in government policy and perhaps even to bring down the government.

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In the slough of despond

A PALL OF gloom has descended over Britain. The recession is deepening as the latest wave of redundancies confirm, and market forces show no mercy, as the humbling of the coal industry makes clear. But the government has proved unable to offer the leadership that the crisis demands.

Simply blaming a lack of political leadership for the continued downward slide is too simplistic. The roots of the current crisis lie deep in the past – in the failure of Britain's industrial and education *establishments to remain competitive* since the second world war, the inflationary errors of the 1970s, the depth of the last recession and in the policy errors of the Lawson years.

Nor is the UK the only country that is enduring a painfully long recessions as penance for the excess of the 1980s, as Mr Alan Greenspan of the US Federal Reserve said in Japan last week. It will take years for consumers, banks and companies in the US, Australia, the Scandinavian countries and Japan to shake off the bad debts that they accumulated during the fat years following the 1982 recession. The non-inflationary route to balance-sheet health is the virtuous way to work off these debts, but one which causes maximum pain.

Nevertheless, relatively debt-free Continental Europe is not faring much better. The combination of Germany's fiscal policy errors, its impending recession, and the efficiency with which the exchange rate mechanism is spreading the burden of Germany's economic woes across the rest of the Continent, make the next year look bleak for the non-English speaking world as well. As a result, the OECD now expects growth in the organisation's 24 member states to be only 2.1 per cent in 1993, compared with the 3 per cent it was forecasting for next year in June.

Yet it is not true that the world is to blame for the UK's current economic plight, however much the government wants the country to believe that is the case.

Explosive cocktail

The UK recession has been deeper and longer than anywhere else in the developed world, in part because the expansion of the late 1980s was stronger and the imbalances in the economy were greater than elsewhere. With hindsight, sterling stayed too long at too high a rate within the ERM, the result being an explosive cocktail of high European real interest rates with an extremely demanding exchange rate and an Anglo-Saxon debt problem.

Past errors of judgment were widely made outside the UK Treasury. But the monetary easing that has occurred since Black Wednesday – the 10.8 per cent decline in the trade-weighted exchange rate and the 1 percentage point reduction in base rates before yesterday's cut – have been more than offset by the slump in both business and consumer confidence of the past few weeks. For that slump, the government's failure to articulate a credible new policy framework must bear a part of the blame. Manufacturing output declined last month, while job vacancies fell by 11 per *cent in September, both figures* suggesting there is more pain to come.

Striking failure

Nowhere has the failure of government to explain its actions been more stark than in the handling of the closure of much of what remains of the mining industry. The closure of these pits was probably inevitable on economic grounds. Whether it was necessary now, at the bottom of a recession and while the rest of the government's energy policy remains murky, is more open to question. In any event, the outcome the outcome has been a surge of public feeling on a scale which the government failed to foresee.

Equally striking is the failure to define a new economic policy outside the ERM. The prime minister has made no proper attempt to explain the errors of judgment which undoubtedly occurred in the run-up to black Wednesday. Nor has the chancellor been able adequately to explain the government's economic policy. His declared strategy amounts to little more than "trust me to do what I think is best for you". That is why yesterday's interest rate cut, however welcome to borrowers and even justifiable in itself, seems like a tit-bit to pacify disgruntled backbenchers.

The markets know that economic policy with a floating pound and fragile confidence demands keen judgment rather than fixed policy rules. The government must balance any fall in real interest rates with credible fiscal tightening in the longer term. Monetary policy needs also to be managed by an institution protected against short-term political pressures, and credible to business and labour.

An approach on these lines is required in order to re-establish confidence in British economic management and ensure that sterling does not fall too far too fast on the foreign exchanges. A sharp easing of monetary policy, endorsed by a panicked government, will send all the wrong signals. Until the government defines its strategy, everything it does, right or wrong, will still be suspect.

FT writers answer the questions arising from the controversy over coal

The costs of closure

Why is Britain sharply scaling down its coal industry if this will throw tens of thousands out of work and lead to more imports?

British Coal has been heavily subsidised – to the tune of £100m a month, according to Mr Michael Heseltine, the trade secretary. He would rather cut British Coal down to a smaller size, even at the risk of boosting imports, because he believes this will bring benefits for the economy as a whole, such as greater efficiency and cheaper electricity. Britain is not the only country to run down its coal industry. Several Continental countries have shut down their mines for good.

2. But isn't British Coal the most efficient producer left in Europe?

Yes, by far. It mines coal at a fraction of the price of Germany and Spain, the only two Continental coal producers of any size. But this is irrelevant since prices in the international coal market are dictated by large producing countries including the US, Australia and Colombia. Typical British Coal prices are currently 50 per cent higher than imported coal. In its restructured form British Coal's management believes it could match imported prices within five years.

3. If Spain and Germany believe it is worth paying a price to keep their coal industry, why doesn't the UK?

In contrast with those countries, Britain has a wide choice of indigenous fuels, so it is not as tightly locked in to one in particular. It is also questionable whether Spain and Germany will be able to continue subsidising their coal industries under European Community rules. But the fundamental reason is that the UK government believes the price is too great, and produces unacceptable distortions in the energy market.

4. Wouldn't it be cheaper for us to pay the coal miners to go on working? And what effect will this have on our balance of payments?

The government will spend £1bn on coal community aid and redundancy payments, and achieve subsidy savings of £1.2bn a year, if Mr Heseltine's figures are correct. But the public cost will be much higher if you take into account the ripple effect on unemployment, lost tax revenues and so on. If British Coal is privatised, the Treasury will also have to assume billions of pounds of liabilities for pensions, mine subsidence and free coal for miners. The cost to the Treasury will therefore be substantial. Whether the net result is worth it depends on how far Mr Heseltine's wider benefits materialise.

The balance of payments will suffer from a rise in coal imports, though these may not be as big as feared because of the switch out of coal into domestically produced gas.

5. Why do the cuts have to happen now, in the depths of a recession?

The timing is dictated by the long-term effects of privatisation of the electricity industry. The electricity generators were privatised on the understanding that when their contracts with British Coal ran out in April 1993, they could renegotiate them on realistic rather than inflated prices. Negotiations on those contracts are now underway, and it is clear that the generators want to take as little British coal as possible because of its high cost. If the government wanted to postpone the colliery closures, it would either have to roll back electricity privatisation, or subsidise the 1993 contracts – neither of which it is prepared to do.

6. Is the National Union of Mineworkers to blame for the closures? Or are Mr Arthur Scargill's dire predictions being proved correct?

The effect of the Scargill-led dispute in 1984-85 was to speed up, not slow down, the pace of pit closures. It also helped put back the recent productivity improvements by about two years, thus preventing more pits from reaching an acceptable cost base. Once the die had been cast for electricity privatisation, much of what Mr Scargill had warned about was bound to come true, but that was partly because his own union had undermined the security-of-supply argument for coal and made it a less attractive fuel for the generators.

7. What is the chance of the closures being stopped?

The unions have little industrial leverage, but they hope to raise a sufficient public outcry to frighten the government into reversing its position, as with the poll tax. To that end Mr Scargill has adopted a moderate strategy, eschewing a strike ballot (for now) and talking about the costs to the taxpayer. But this is unlikely to be enough. The best hope for a moratorium comes *from Tory backbenchers and the* courts. If enough Tory backbenchers vote with Labour for a review of the closures in next Wednesday's debate, they will presumably be stopped for at least a few months. On Thursday the High Court is due to decide whether British Coal abandoned its own colliery review procedure. Tory backbenchers are a better bet than the judges.

The government would survive if it was defeated in the debate, but Mr Heseltine may feel obliged to resign because he has become so closely associated with the decisions announced this week.

Mr Robin Cook, Labour's trade spokesman, says his party's aim is to save the coal mines – not bring down the government. The motion that Labour will draw up for the debate will aim at attracting the maximum number of wavering Conservative MPs. If the government loses, it is likely to table immediately a motion expressing confidence in the government – which it would probably win comfortably.

By David Lascelles, Ian Hargreaves, David Goodhart and Ralph Atkins

8. Are we right to be using gas when we have far less of it than coal, and what effect will it have on my electricity bill?

There is a great deal of gas in the North Sea – enough to last at least *50 years, so there are no short-term* supply problems.

The switch to gas is happening partly for commercial reasons, but also because of bad planning in the electricity privatisation. Gas has many advantages over coal: it is cleaner, easier to transport and converts more efficiently into electricity. Gas power stations are also quick and cheap to build, and face fewer planning obstacles. Whether gas produces electricity more cheaply than coal is much disputed because although coal looks cheaper on paper, not all calculations take full account of its heavy environmental costs – which will grow as more green regulations are implemented.

Mr Heseltine says the closure of the coal mines will wipe £300m off electricity bills, but Mr Andrew Horsler, marketing director of British Coal, claims gas-fired stations will add to electricity bills because they will replace coal stations whose costs have already been completely written off, and therefore can produce electricity very cheaply.

Another problem is that electricity distribution companies are building gas stations to cut their dependence on supplies from the duopoly of National Power and PowerGen. Present rules allow them to pass the cost straight through to customers so they have no incentive to buy the cheapest fuel.

9. If we abandon all these coal mines now, could we mine the coal again later?

British Coal is mothballing four of the 31 collieries listed for closure in case its market revives. But it is costly to keep mines open and these will most likely be shut too unless there is a swift change in coal's fortunes. If, next century, the UK decided to switch back to coal, it would have to build new mines.

10. It sounds as if there are monopolistic practices going on in the electricity industry which are hitting coal unfairly and adding to electricity costs.

The National Power/PowerGen duopoly has undoubtedly been able to drive a hard bargain with British Coal, and it has already been threatened with possible monopoly investigation by Prof Stephen Littlechild, the electricity regulator, for trying to influence electricity prices. But Prof Littlechild himself has come under fire from consumers for allegedly failing to ensure that electricity distributors are buying the cheapest possible power when they contract with gas-fired power stations. Some of them have threatened to take him to court. If they win, gas power station deals might have to be unraveled.

11. If the coal cuts go through, will Britain then have achieved the free market in energy which the government wants?

No. The nuclear power industry receives £1.2bn of subsidies a year, though these are being phased out. Nuclear could be in for the British Coal treatment in 1994 when the government plans to review its future. One lesson the nuclear power industry will have learnt this week is that it has only two years to prove that it can stand on its own feet.

There are also tight controls on electricity distribution which effectively create regional monopolies. These are also supposed to be *phased out over the coming years.* A totally free market, if such a thing were possible, is not in sight until the end of this decade.

12. Although the cuts are regrettable, perhaps the run-down of coal is a good thing for the environment?

Coal is unquestionably the dirtiest fuel, in terms of the damage caused by mining, transportation, and the emissions at power stations, all of which place extra costs on the economy. It also faces pressure from the government's commitment to an EC target of reducing carbon dioxide emissions to their 1990 levels by the year 2000. If the EC were to introduce a proposed carbon tax, its appeal would be further reduced.

Technology does exist to burn coal more cleanly, and it is being introduced at power stations. But it is expensive and reduces the efficiency of the fuel.

13. Will anyone want to buy what's left of the coal industry? Should Sid buy shares?

In its truncated form, there is a realistic chance that British Coal can operate profitably. The company was in the black last year, and prospects exist for further productivity gains to meet the tougher terms of the new electricity contracts. At the *moment*, British Coal is more likely to be sold to another company than floated on the stock exchange as was British Gas. Some half-dozen large companies have expressed an interest, including Hanson, owner of one of the largest US coal companies. There are also two buy-out proposals by trade unions.

But if none of these come about, British Coal could be sold to stock *market investors.* In world terms, it would be a minor coal company with moderate profits at best. World energy supplies are plentiful for the foreseeable future so, barring upheavals, the price of coal is unlikely to show a sharp increase.

Trade test triggers the alarm

Tony Jackson looks at how seriously UK manufacturing industry is being damaged by the recession

After a decade's absence, the supposed death of British manufacturing is back in the headlines. Hardly a day goes by without agonised bulletins about closures and job losses at great British companies such as Lucas, Rolls-Royce Motors and British Aerospace. The last recession did lasting damage to large sectors of British industry. Can it really be happening all over again?

The short answer is no, or at any rate not yet. Though job losses in manufacturing are as severe as last time round, the fall in output is not. From its peak two years ago, manufacturing output in the UK has fallen by 7 per cent. In the two years to mid-1981 it fell by twice that. Only a quarter of the 3,300 businesses put into receivership this year have been manufacturers. No less than 60 per cent have been in service industries. If this recession is the worst since the second world war, it is only because the pain is more equally distributed.

This is not to deny that manufacturing has received some hard knocks. But not all have been primarily recession-related. Last month's closure of British Aerospace's historic factory at Hatfield, for instance, was if anything overdue. BAe had never made money from its regional aircraft business. The recession simply uncovered the fact.

Again, some of the bad news turns out on inspection to be not quite so bad after all. Much coverage was given to Monday's announcement from Lucas that it was closing some UK plants and shedding some 2,000 workers. Less was made of the fact that Lucas may end up producing slightly more in the UK as a result.

The company is closing plants in Continental Europe as well as in Britain and redistributing its output among the remainder. In the process, the UK looks like gaining slightly more than it loses. "The UK is a good manufacturing base," Lucas said on Monday. "Some of our customers who traditionally bought in their own countries are specifically looking to source in the UK."

Similarly, the Engineering Employers' Federation was widely quoted this week as condemning the government's "ministerial paralysis". But it also said it expected engineering output to rise by 3 per cent in the next 12 months. The UK's cost competitiveness in export markets, it said, was "probably now as good as at any time since before 1980".

The main reason for the EEF's optimism was the motor industry. There has been much publicity over lay-offs at Ford, Rolls-Royce and Jaguar. But UK car production this year is running only 3 per cent below its peak in 1989. This is partly to do with Japanese manufacturers setting up new capacity, but not entirely. Vauxhall's production this year is 32 per cent higher than in 1989, and Land Rover's 28 per cent.

Again, the German car maker Mercedes-Benz has just announced that it almost trebled the amount it spent with British component manufacturers in 1991. "The British economy", it said, "is under-rated".

It seems clear from this that the idea of a recession-induced crisis in British industry does not bear inspection. But perhaps the real issue is wider than that. If the recession is not doing drastic damage in itself, it may still be a stark reminder of underlying decline.

The best measure of this is not, as is sometimes supposed, the dwindling contribution of industry to output and employment. This is a natural trend in any developed economy, as workers are replaced by machines and manufactured goods become cheaper in real terms. The real test is the balance of trade in manufacturing; and it is here that the alarm bells start ringing.

For at least 40 years, Britain's imports of manufactured goods have been rising faster than its exports. In the mid-1950s, exports were three times as large as imports. By a decade ago they were the same size. Ever since then, the UK has been running a persistent deficit in manufactured goods.

The roots of the problem are simple enough. The UK's volume of manufacturing output is now virtually the same as it was in 1973. In that time, the economy as a whole has grown by a third. Since consumption of manufactured goods rises with national income, imports have been sucked in to make good the difference. In 1973, imports had a 21 per cent share of the UK market for manufactured goods. By 1989 they had 37 per cent. Meanwhile, the UK has lost ground in world exports. Its share in 1970 was 8 per cent, in 1980 7.5 per cent and in 1990 6 per cent.

But the UK is not alone in showing a deficit. Last year, the gap was proportionately wider in the US, to say nothing of less developed EC partners such as Spain, Portugal and Greece. So does the deficit actually matter?

The answer ultimately depends on a number of imponderables. The deficit need not matter if it can be paid for by exporting services, or indeed by importing capital from foreign multinationals such as Japanese car makers.

Whether that can be achieved in the 1990s is not easy to judge. If it cannot, there are those optimists who say that the deficit can be cured when the upturn comes. What remains of UK manufacturing is better managed and more internationally minded than it was 10 years ago. In addition, foreign companies in the UK are now training its workforce in modern techniques of manufacture.

There are two reasons for pessimism. First, recent large-scale foreign investment in the UK is mostly confined to the car industry, which accounts for only some 8 per cent of total UK manufacturing. It is not clear how many other industries will attract such inward investment.

And above all, the long-run trend is simply too consistent. For decades, through boom and slump, UK manufacturing has been losing ground. It is very much in the national interest that the trend should be halted. It is asking a good deal for it to be reversed.

Deep mine of discontent

John Major's decision to go for growth reflects the weakness of his position, says **Joe Rogaly**

Here we go again. It is U-turn time once more. We have returned to the traditional methodology of so many post-1945 British governments: fly blind, and back off when you bump into a rock. Yesterday's 1 percentage point cut in interest rates, relief though it may be, was just such an instinctive response. The Bank of England signalled on Tuesday that no early reduction could be expected, but a handful of backbench Tory MPs indicated on Thursday that the government could lose a vote on pit closures. Bingo: 1 point off.

Suddenly last week's protestation at the Conservative party conference in Brighton that reducing inflation would be the guiding star of economic policy became ancient history. The new reality is that the single question that the chancellor and the prime minister ask themselves is: "What will put the government back on its feet?" (Answer: growth.) We have been here before – in 1972 and 1974 under the then Mr Ted Heath and, in far worse conditions, in 1978-79 under the then Mr Jim Callaghan.

That unfortunate pair discovered that once a government is on the slippery slope each successive attempt to save itself propels it into deeper trouble. It could be happening again. Yesterday's interest rate cut will not necessarily buy the votes of sufficient Conservative backbenchers, although you can never tell how many breast-beating rebels will live up to their pretensions when division-time comes. If true to form, some who say now that they will vote against will abstain next week; others will change their minds at the last minute. Sir Marcus Fox, chairman of the powerful backbench 1922 committee, is huffing and puffing, but will he blow the house down? Maybe.

If all the opposition parties remain united the government's pit closure programme could be stopped if it comes to a parliamentary stand-off next Wednesday. Only a dozen Tory votes against the government could scupper it. Of course if Mr Richard Ryder, the chief whip, perceives that humiliation is in prospect there will be no defeat. Instead there will be a U-turn of sorts – perhaps an agreement to set up an inquiry into British Coal's redundancy programme.

Mr John Major regards the prospect of *any* U-turn with abhorrence. Naturally. A defeat on coal would be devastating. It may not happen. But his problem is that every effort he makes to retrieve the authority lost on September 16 is thwarted, either by bad luck or by poor judgment. At Brighton he showed the doggedness for which he is justly renowned. His keynote speech seemed sufficiently patriotic to buy him time. He insisted that he would push the bill to ratify the Maastricht treaty through the Commons. Perhaps the worst was behind him. That was, however, a whole week ago. Today, with everyone wringing their hands over the state of the economy, Brighton seems irrelevant.

Earlier this week Mr Major and his colleagues talked down expectations of yesterday's summit of European Community leaders in Birmingham. When the communique came last night this humility was seen to be wise. Gestures were made towards clarifying the concept of subsidiarity. There was talk of more open procedures – an EC citizen's charter, shall we way. Reassuring language about national identity was used. We shall have to wait until the Edinburgh summit in December to see whether these comforting words turn into addenda to the Maastricht treaty. Yesterday's sideshow was at best a public relations coup for Mr Major. It will not in itself restore the prime minister's reputation.

In short, our old friends, alarm and despondency, have come back to stay. It looks as if they will be around for more than a few weeks. Alarm arrived a month ago, with the collapse of the government's European and economic policies. It began to settle in soon afterwards, as it dawned upon the electorate that the prime minister and his colleagues are in a state of shock from which they will not quickly or easily recover.

Despondency made its reappearance this week, with the announcement that the bulk of the coal mining industry is to be shut down. This would have been an unpopular decision at the best of times. It came at the worst of times, as unemployment continues to rise and the recession seems endless. The nation's doubts about Mr Major's administration have boiled over into a widespread belief that the government is in control of nothing, least of all its own strategies.

An outburst of anxiety expressed in many private conversations has been matched by unprecedented public hostility from the Conservative press. "John Major presides over . . . a bankrupt, clueless, lying, incompetent, arrogant administration," wrote the Sun's commentator yesterday. "He is weak," said The Times. The rest of the media, the bishops, and venerable institutions have joined in. Politicians, who are as human as the rest of us, are not invulnerable to such assaults.

It is difficult to say which way Mr Major will now turn. The government is secure. The opposition has no believable alternative strategy. The prime minister seems likely to survive in office, if only for the lack of any other leader who could unite the party. The conventional wisdom is that he may restore public confidence in his government if he removes Mr Norman Lamont from the Treasury and puts in a chancellor who can successfully present the retreat from high interest rates as a coherent package of restructuring measures.

Perhaps. The difficulty is that there are obstacles in the way of such decisive action. They are all internal to Mr Major, who dearly wishes to be regarded as consistent, even when flexibility is called for. He only changes course when forced to do so. He does not want to see a second close colleague driven out of office by a media campaign – which is reasonable enough. He is in thrall to cabinet heavyweights such as Messrs Michael Heseltine, Kenneth Clarke and Douglas Hurd; he has yet to rise above them. With an overall majority of only 21 he does not wish to risk a backbench revolt; nor has he shown that he has the self-confidence necessary to disturb the factional balance within a bitterly divided party.

Bold pronouncements of new directions would therefore be out of character. Mr Major's strength is his attention to detail. He has not demonstrated an ability to stand back and review the broad direction of his government, nor does he enjoy sage counsel from an elder colleague, as Lady Thatcher did when Lord Whitelaw was still active. The prime minister's course is therefore clear. He will go for growth, bumping from wall to wall, turning this way and that, and we will be bumped along behind him.

Michiyo Nakamoto on changing electronic lifestyles

Digital's bright dawn

Imagine on a snowy winter morning being woken up by tropical birdsong and rays of sunlight shining through palm leaves and bougainvillea.

There is no need to venture far from this electronic paradise in your bedroom: you can pick up the telephone and have files faxed to your study, or hold a meeting there via a video-conference call. To keep in touch with the office, just instruct your personal electronic communicator to forward all telephone and electronic messages.

Such is the life that current advances in electronics, telecommunications and wireless technology promise to bring in the not-too-distant future, say industry executives, government researchers and market analysts.

"The world is seeing a revolution which will have an impact not far short of the impact of the telephone and the automobile," says Mr John Sculley, chairman and chief executive officer of Apple Computer of the US. That revolution will create a new industry which he estimates will be worth $3,500bn by the end of the decade.

The source of this optimism – and what differentiates developments in electronics and telecommunications today from previous trends – is the growing convergence of computers, consumer electronics and telecommunications. The three industries are beginning to overlap as the computer enters the home in more user-friendly guises and consumer electronics and telecommunications products take on more of the functions of computers.

The catalyst for this integration is the growing switch in consumer electronics and telecommunications from analogue to digital technology. Digital signals are electrical (analogue) signals which have been converted into binary codes. The use of digital signals makes it possible to process and distribute a greater volume of information more rapidly than using an analogue system. Digital signals can also be stored in a relatively small space, such as on a floppy disc.

What makes the spread of digital technology exciting is that it provides a common language for previously unrelated machines to communicate with each other. Data can be shared between various gadgets and functions can be merged. The television becomes a telephone and vice versa, computers become both, and mobile phones turn into electronic diaries.

In telecommunications, digital technology adds a feature of the television – the ability to transmit images – to the telephone, in the form of high-quality video-conferencing units and videophones. The trend is expected to encourage telecommunications services from teleshopping and home banking to remote meter reading by utilities.

When television goes digital, watching TV will no longer be an entirely passive experience. The digital TV set will enable users to play with information as it is broadcast by combining, rearranging and otherwise altering it as required. TV viewers could, for example, have access through their TV sets to an electronic catalogue of videos stored in a central database from which they could order a transmission of a particular film directly on to their set.

Meanwhile developments in flat-panel displays are expected to put TV sets on the wall. When the TV is switched off, the panels could act as an electronic picture frame, receiving images from a central art gallery database. The tropical jungle on the wall today could be a glittering seascape tomorrow.

In business, digitisation in the form of the personal computer has already brought significant changes to the workplace. Computer-makers are competing to add voice and video to text in the personal computer to create multimedia systems that would allow users to see and talk to each other while viewing the same visual data, such as graphs and charts, on their screens.

Pioneers in the industry are hoping to miniaturise such multi-function machines and, with the help of significant advances being made in wireless communications, develop hand-held mobile information and communications tools – so called as a "personal communicators". Apple is launching Newton, an electronic diary, fax machine and PC rolled into one, and AT&T is working on its own version.

The potential profits from such machines have led to the emergence of a hybrid industry of computer manufacturing, consumer electronics, software programming, telecommunications, cable TV, broadcasting and publishing.

Apple has joined hands with Sharp, the Japanese consumer electronics company, to manufacture its personal digital assistant (PDA). The US company is also working with Toshiba, the Japanese electronics group, on a multimedia player, and also with IBM on multimedia software and Kodak on digital photography products. Tandy, the US electronics group, and Casio are collaborating on a PDA.

The integration of industries is not limited to such partnerships. Cable television companies already offer telecoms services in the US and UK. With the spread of fibre-optic networks, which have even greater information storage and distribution capacity than digital networks, telecoms operators could link users through fibre networks to any number of entertainment programme providers.

"The distinction that used to exist between these industries is becoming obsolete," says Mr Hugh Small, European director of Arthur D Little, the management consultancy.

Such cross-industry alliances will be important in setting global technical standards. Consumers are unlikely to want to invest in new products unless gadgets from different manufacturers can interact with each other.

Collaboration also helps to reduce the risks of entering an untested market. "Global partnerships and worldwide sourcing will be the key to success in this new industry," says Mr Takashi Yamamoto, senior vice-president and general manager of Marubeni, the Japanese trading company.

The digital revolution, however, must still overcome several obstacles.In particular, the new technologies will have to be tested in specific products, which will need to pass the judgment of the market. "We are looking at a large number of new types of products and many will fail," says Mr Paul Donovan, at Apple in the UK.

But the competition to develop new products, and the huge sums being spent in R&D suggest few companies doubt the potential of digital systems.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Industry is true worth

From Mr Martin Ingram.

Sir, I have read with interest your paper's excellent coverage of the recent financial and economic events surround sterling's humiliating exit from the ERM.

Initially, most commentators and economists, although fearing the inevitable, were in fact stunned by the act itself. One can even include in that description both the chancellor and the prime minister. However, after the original stunned silence a cacophony of sound has broken out. Everyone has a view, talking heads abound and rolling heads, still yapping, are expected.

In the current mayhem I would like to make a point. In essence, the debacle has been caused by the erosion of the manufacturing and commercial base in the UK. Germany and France, countries which have nurtured their industrial companies, have shown us up because currencies represent the true worth of an economy. In a phrase, it is their paper. You can massage the paper by interest rates in the short term, but in the long term it is manufacturing performance that counts.

The powers that run Britain must put manufacturing first. It is ironic that high German interest rates, which caused the recent problems were for the very purpose of financing east Germany and putting it to work. Let us try to emulate them.

Martin Ingram,
Founders Court,
Lothbury,
London EC2R 7HE

Rejoining ERM crucial if wage moderation to be sustained

From Mr Peter Ingram.

Sir, Your editorial ("Time to get tough on pay", October 15) raises some possibilities to address the perennial problem of wage growth outstripping productivity in the British economy. The policy you advocate amounts to a cumbersome replacement of the discipline formerly provided by exchange rate mechanism membership. The success in moderating wage growth in Britain during the 23 months within ERM represents an impressive record. Assisted by the downturn in the economy the reduction of average earnings growth from 10 per cent in the autumn of 1990 to 5.75 per cent today (the lowest level since 1967) represents the fastest quarterly deceleration in wage growth since the second world war. Pay settlements in manufacturing and private services, the most responsive measure of companies' wage awards, fell from respectively 8.8 per cent and 8.9 per cent in the third quarter of 1990 to 4.3 per cent in both sectors today.

The impact of this discipline on company wage settlements, given the high and increasing levels of unemployment, is unlikely to be lost immediately. The issue of wage growth has, throughout the last 40 years, restricted Britain's room for manoeuvre throughout the range of economic policy choice. The opportunity provided by the ERM offered the chance to redress this weakness. The evidence of the mechanism's enduring success in moderating earnings growth is apparent from the success of our European partners.

On the basis of Britain's recent experience, the appropriate response from policy makers should be to rejoin the ERM at the earliest possibility. Failure to do so would condemn the British economy to an enduring problem which, throughout the 1980s, it was unable to solve.

Peter Ingram,
Department of Economics,
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Inspired reshaping

From Mr Meurig Williams.

Sir, As the president of the Board of Trade, Michael Heseltine, assures us that he is in a mood to intervene in the operation of the UK economy in a manner of his European counterparts, I trust he will not overlook Japan as a source of inspiration.

He could do worse than first study Japan's success in restructuring its coal industry in which employment has fallen from 348,000 at 736 mines in 1950 to a current level of less than 5,000 at five mines. This radical restructuring has, through government subsidy, been achieved without irreparably damaging the fabric of Japan's traditional mining regions.

It has also been accompanied by the targeted redeployment of resources into the development of new industries. One of the infant industries of 1950 has over the same three decades become a global colossus. The products of this industry are cars.

Meurig Williams,
18 Faroe Road,
London W14 0EP

Sealed with a kiss long ago

From Lady Roll.

Sir, Dominic Lawson ("Kissing in the European style", October 11) might be interested to know that kissing as a greeting is not a recent habit in Britain. Erasmus (among others) commented in a letter: "... Wherever you go, you are received on all hands with kisses; when you take your leave you are dismissed with kisses ... wherever a meeting takes place there is kissing in abundance ..." – Ep Erasmus I (translated from Latin, F M Nichols, London 1901-1918).

Winifred Roll,
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Inheritance invalidated

From Mr Max Bitel.

Sir, You are, of course, correct in saying in your feature on wills (Finance and the Family, October 10) that the witnesses cannot be beneficiaries and that, if they are, their inheritance will be invalidated. But there could be an innocent trap in that bare statement.

Section 15 of the Wills Act 1837 not only deprives an attesting witness of any benefit under the will, but it also deprives the spouse of such a witness of any such benefit.

Max Bitel,
Max Bitel, Greene,
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Paying price in Germany

From Mr Onésimo Alvarez-Moro.

Sir, Mr Franz Steinkühler, leader of the I G Metall union in Germany, said ("When unity can sap the strength of a union", October 13) that his members in east Germany tell him that they cannot pay capitalist prices with socialist wages.

I wonder if Mr Steinkühler will have the courage to tell east German workers that it is not possible to pay capitalist wages for socialist productivity.

Onésimo Alvarez-Moro,
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Spain

Salt in wound for engineers

From Mr B W Barton.

Sir, I was incensed by your article "Engineers' salaries outstrip inflation" (October 8), which states that the average annual earnings of a chartered engineer are £31,768. My colleagues and I at Rolls-Royce are earning between a half and two-thirds of this sum; somewhat less than the figure quoted for support technicians.

I do not believe that our company's salaries are that much below the average. It is galling enough to earn half as much as our European counterparts without having the results of what appears to be an unrepresentative sample rubbing salt in the wound. As as for recommending the profession to young people, I know of no one who would do so unless the person concerned was fluent in a foreign language and could work abroad.

B W Barton,
35 Sandyleaze,
Westbury-on-Trym,
Bristol

University/polytechnic statistics must be looked at more closely

From Mr John Izbicki.

Sir, Michael Dixon's well-researched report ("A sad final blow for the polytechnics", October 7) would have been even better if his interpretation of the figures had been more detached. The recession has, of course, affected every sector, from nursery schools to universities. Polytechnics, it is true, fared marginally worse on the jobs market, but it would have been wiser to look more closely at the figures.

When one analyses some of the contents of Mr Dixon's table, the following facts come to light. The number of "old" university graduates rose by some 2 per cent in 1991 over 1990 whereas the number gaining polytechnic degrees rose by 14.9 per cent over the same one year period.

When you study the next category – those entering regular jobs in the UK – one finds the proportions down: the universities by 4,150 graduates and the polytechnics by just 800.

Finally, those who can expect an "at best short-term UK job" again produces nothing more than a marginal difference, with both sectors worse off: universities by 2,016 (2.3 per cent) in the period studied and polytechnics by 2,704 (4 per cent).

All this proves is perhaps that number-crunching and "league tables" should always be avoided or treated with the care. It is a fruitless task, even a silly game, for it looks only at figures, not people. Statistics are devoid of soul.

But Michael Dixon's concluding paragraph is absolutely correct (possibly because he has abandoned his numbers game and returned to reality): many employers, faced with two candidates, one from a traditional university and one from the old polytechnics, are stubbornly snobbish enough to go for the former, regardless of the piece of graduation paper proffered. This, as Mr Dixon rightly surmises, is likely to change now that all the polytechnics are universities in title as well as in fact.

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Attwoods fall surprises City

By Richard Gourlay

ATTWOODS, the international waste management company, yesterday surprised the market with an 8 per cent fall in annual profits after volume and margins were hit in tough markets.

Pre-tax profits in the year to end-July fell unexpectedly from £38.7m to £35.6m on sales 18 per cent higher at £341m. Earnings per share fell from 12.39p to 8.06p but the full-year dividend is maintained at 5p with an unchanged 3.25p final proposed despite the increase in the number of shares after last year's rights issue.

Following the results, Attwoods' brokers, Rowe & Pitman, reduced its forecast of this year's profits from near £50m to £40m.

The company's shares closed down 7p at 106p.

In the second half the US recyclables processing business, Mindis, showed no recovery from the first half fall. An operating profit of $16.1m in 1991 evaporated to profits of $2.5m (£1.45m) after a slide in world metals prices.

Mr Ken Foreman, chairman, said that a new $200m bank facility meant the group entered the new year with the strongest base it had ever had. Gearing had fallen from 91.6 per cent to 36.4 per cent.

The group made a £3.5m extraordinary provision to cover the costs of fines and other liabilities that have emerged from the investigations of over-charging by some Attwoods managers in the mid-Atlantic region. Attwoods has now refunded affected customers back to 1981.

Administrative expenses rose from £35.6m to £44.9m partly as a result of one-off exceptional items including the reorganisation of the east coast operations following the fraud.

Attwoods, which has most of its US business in Florida, is expecting to be a net beneficiary from the clear-up operation after Hurricane Andrew.

● **COMMENT**

There was almost no element of choice about last year's rights issue – no new money from shareholders would most likely have meant no new money from the banks and thus curtains. But subscribers must nevertheless be dismayed by yesterday's results. The problem is not so much the tough trading conditions that persist, particularly in the US, but what must be most galling is that Attwoods did not flag the potential for continuing problems at Mindis more carefully. As it has turned out, profits have fallen off a cliff and there is little sign of an improvement this year over the $2.5m contribution in 1992. What is more, there are few signs that Attwoods has turned the corner. With the US flat, any improvement from the well-managed German operation is likely to be offset by a downturn in the UK. As a result profits are unlikely to be higher than £38m this year, giving flat earnings of 8.1p. The 13 times prospective earnings multiple, though a substantial discount to fellow international waste companies and even the UK market as a whole, may well be an accurate reflection of the company's value.

Change of ownership likely at C&J Clark

C&J CLARK, the footwear manufacturer and one of Britain's largest private companies, is not likely to remain a family-run business for much longer.

After 167 years of family control, the consensus which emerged at yesterday's emotional extraordinary meeting was that only a change in ownership could end the decades of internecine warfare, writes Peggy Hollinger in Glastonbury.

That was about the only point on which the board unanimously agreed during the 90-minute meeting, with the differences in opinion only too obvious.

The EGM had been called by four directors who proposed to replace Mr Walter Dickson, the chairman, and Mr James Power, a non-executive director. The rebels claimed a disagreement over corporate strategy and aimed to increase family influence on the board.

The proposals were never put to the vote, however, as shareholders voted unanimously to adjourn the meeting until after the annual meeting in April. The adjournment was part of a last-minute compromise agreed late on Thursday afternoon.

The deal included the creation of a committee to review possible bids for Clark's, and to target a price which could be recommended by the board.

Between 300 and 400 angry shareholders packed the modest town hall in Glastonbury, Somerset. There were sharp rebukes for the feuding which, in the words of one investor and former employee, had made Clark's "the laughing-stock of the industry".

But shareholders reserved their fiercest criticisms for the "Gang of Four" who had called the meeting. Mr David Edwards, a shareholder and friend of the family, called on Mr Lance Clark – leader of the rebels – to "consider his position" before the annual meeting. His call received an almost deafening round of applause.

Mr Clark leapt to the defence, saying he felt it would have been irresponsible to "sit and watch" as profits steadily declined and the threat of a bid loomed.

The adjournment has merely postponed the dispute. The resolution will be put to the vote in April, unless the rebels decide to withdraw. They have refused to comment.

Family footsteps fade as Street faces changes

Peggy Hollinger on the problems at C&J Clark

Trevor Humphries

Pensioners and shareholders leave yesterday's extraordinary meeting

THE SMALL Somerset village of Street knew change was in the air when the Bear Hotel finally got its licence to sell alcohol five years ago.

The Clark family, Quaker guardians of Britain's biggest shoe manufacturer C&J Clark, had long been divided over the issue. The place had been dry since 1883 when William Clark, son of the Quaker founder, bought the pub facing the original factory and converted it into a coffee house.

In the end, the current generation including William's great grandson, Mr John Clothier, won the licence through sheer persistence.

What the people of Street might not have realised then, was that the license marked deep changes in the culture of Clark's and the family which has run it for 167 years.

Mr Clothier, managing director, is one of the new breed. A fast-talking, brusque man, he appears determined not to let emotion cloud business – unless someone criticises the quality of Clark shoes. Thus he does not quail at the thought that the family might yield control in return for cash to carry Clark into the international branded arena.

He is also the first Clark running the business not to have come from the manufacturing division. Mr Clothier was weaned on retail, which Clark entered for the first time seriously in the 1970s.

Mr Clothier is not alone in his pragmatic approach. The Clark family members, with claims to 80 per cent of the business, have grown to more than 500 since Cyrus and James Clark began making slippers in 1825. Yet fewer are coming forward to join the company. For the vast majority, their sole links are share certificates and the welcome dividend income.

As times have become more difficult, many have been frustrated by their inability to cash in their shares. The matter has become more urgent with the prospect of a severe downturn. Many received a rude shock this summer when the board cut the pay-out and said it could no longer guarantee dividend growth.

The extended family is splitting among different factions: some want to retain control, others want to sell – yet most members accept business practices must change.

To some extent the changes are being forced on the family by external factors: Clark's expansion in the 1950s and 60s and the harsh environment.

Both call for ruthless business skills and vast amounts of cash. The company also found itself less than comfortable financially following its buy-back of £40m of family shares two years ago.

But many in Clark and the community pin the changes on the family's alienation from its roots in Street. For the first time the 11-board members live around the country. According to one employee: "That is the difference from the generation which ran Clark in the 1960s. The family is split geographically and emotionally."

The locals in Street find it difficult to come to terms with the current generation of Clarks. For years, Streetonians regarded the family as their own and factory work as their right. Now they never see the family and the jobs are no longer there.

The recent closure of the company's last shoe factory in the town where it all began was felt by many to be unforgiveable. The once proudly-quoted phrase "Clark's made Street and Street made Clark's" is now uttered with the bitterness of the betrayed.

Local officials, meanwhile, fear the closure could foreshadow Clark's abandonment of Street. Their anxieties have been amplified by talk of a sale. The company is still one of the area's largest employers with 1,000 people working in its Street headquarters.

The village was little more than a stagecoach stop, reknowned only for its drunkeness, when Cyrus and James first set up business. Today it boasts 9,000 souls, several schools, two swimming pools, a theatre, a college and a library. Most of these have been funded by the Clark family.

The present day management is still proud of its commitment to the community and its workers. Through a trust fund, Clark contributes more than £1m a year to various projects and the subsidised canteen at the headquarters is open to pensioners in search of a warm, cheap meal.

Such gestures are not likely to change under the current management, which puts a high value on the company's traditions. Whether they would survive a takeover is another question.

Buyers line up at Clarke Foods

By Angus Foster

THE FUTURE of FAB and Zoom ice-creams looked slightly more secure yesterday when the administrative receiver appointed to Clarke Foods, owner of these and other brands, said nearly 50 potential buyers had come forward since Clarke asked its bankers to call in receivers on Tuesday.

Mr Ipe Jacob, joint administrative receiver from chartered accountants Robson Rhodes, said several leading companies in the ice-cream trade as well as outsiders had expressed "serious interest".

He added that the level was greater than had been anticipated.

Clarke, founded by Mr Henry D Clarke Jr, an American, became the UK's second largest ice-cream maker last year when it bought Lyons Maid from Allied-Lyons.

But Clarke ran into trouble after it missed the early summer heat wave because of problems with new equipment. Then stocks built up when the weather turned cool.

Mr Jacob said he hoped the company could be restructured or sold as a going concern in "six to 12 weeks".

Andrews Sykes board backed

By Paul Taylor

MR JACQUES MURRAY, the dissident shareholder who holds a 29.2 per cent stake in Andrews Sykes, the specialist industrial services group, yesterday lost his battle to unseat Mr David Hubbard, chairman, and take control of the board.

Shareholders, led by institutional investors, representing more than 62 per cent of the ordinary shares, voted, and issued proxies, in support of Mr Hubbard and the existing board at an extraordinary meeting called at the request of Mr Murray.

The vote ends a bitter six-week battle for boardroom control between Mr Murray, who is also chairman and majority shareholder of Nu-Swift, the fire protection, office cleaning and property company, and the Andrews Sykes board led by Mr Hubbard who became non-executive chairman last autumn.

Mr Murray had asked shareholders to back six resolutions at the extraordinary meeting which would have removed Mr Hubbard and Mr David Crowe, one of the two other non-executive directors, from the five-man board, and replace them with himself and three of his associates. All of the resolutions were rejected by a substantial majority.

European Fire Protection, one of Mr Murray's investment vehicles, issued a statement saying it was disappointed with the outcome but added that it felt justified in "focusing shareholders' attention on Andrews Sykes' poor financial performance and the failure of management to address the decline in profitability with an effective strategy."

Board seeks resignation of Avonside chief

By Tim Burt

THE BOARD OF Avonside, the housebuilder floated by Cannon Street Investments in March, has asked its managing director, Mr Gordon Carruth, to stand down amid signs that the group is seeking a change in management strategy.

The group said yesterday that the decision to seek a new managing director was not linked to any misdemeanour, or the current performance – it announced a pre-tax profit of £2.82m on a turnover of £25.9m in the first half of 1992.

Mr Christopher Glynn, non-executive chairman of the Wrexham-based group, announced he would take over the role of managing director. "The board have a very clear idea of what we want to do and where we are going. Gordon did a very good job but we didn't believe he was the man to lead us," Mr Glynn said.

City institutions were surprised by the decision just six months after Mr Carruth handled the flotation, which valued the group at £45.5m or 106p per share. They lost 10p on yesterday's news to close at 74p.

Forward Technology cuts loss

Forward Technology Industries cut its pre-tax loss by £96,000 to £539,000 in the half year to June 30 1992.

And the full year was expected to show "we have taken a further step towards a satisfactory profit level", claimed Mr Brian Olliver, chairman.

Electronics produced turnover of £13.9m (£14.1m) and a gross loss of £53,000 (profit £156,000). The cleaning activity was showing an increase, but the recession hit the welding activity, leading to an overall reduction in business.

NEWS DIGEST

£1.38m loss for Hawtal Whiting

HAWTAL WHITING, which provides design and engineering services to the motor industry, ran up a loss of £1.38m in the first half of 1992, but expects the current period to improve.

Benefits of reorganisation were coming through and should be fully reflected in the second half, said Mr John Whitecross, chairman.

He felt the group performed creditably with turnover down only 9 per cent to £27.3m.

The loss compared with a profit of £178,000. However, losses per share soared from 0.7p to 22.9p as UK losses could not be offset against North American profits.

Brooks Service in £104,000 deficit

A poor trading result has been exacerbated by reorganisation costs in the first half of 1992 at Brooks Service Group, and a pre-tax loss of £104,000 was incurred compared with a profit of £336,000.

Since the half year the work wear side continued to trade steadily and the retail division had shown some improvement, but linen services had not shown any indication of recovery.

Therefore the interim dividend is being passed (1.3p) on losses per share of 0.58p (1.85p).

In the half year turnover was £11.7m (£11.8m) but generated a profit of only £55,000 (£574,000). After interest paid there was a loss of £90,000 (profit £288,000), but that was offset by £110,000 (£48,000) exceptional credits.

Dunton cuts losses sharply to £803,000

Dunton Group reduced its loss significantly in the year ended May 31 1992, but reiterated that a return to profitability was only likely following a recovery in the economy and the property sector in particular.

For the year the deficit came to £803,000 (£4.45m) and the loss per share to 1.01p (7.74p). Turnover of £2.74m (£3.24m) generated an operating surplus of £676,000 (loss £2.5m).

Apart from property the group is interested in brick making. Those operations had been cash generative throughout the year although output was substantially less than full capacity, said the directors.

In property the group continued to achieve sales at or above book value.

Asset fall at Abtrust New European Tst

Over the six months ended August 31 1992 net asset value of Abtrust New European Investment Trust fell from 77.92p to 67.19p.

A year earlier it stood at 79.75p.

The portfolio exposure to the larger markets of Germany and France had been increased at the expense of Austria and Scandinavia, with more modest reductions in Italy, Spain and the Netherlands.

Total income for the half year was £561,000 (£537,000) and net revenue worked through at £193,000 (£192,000) for unchanged earnings per share of 0.56p.

Radiotrust net asset value declines

Radiotrust had a net asset value per share of 49.89p at July 31 compared with 56.72p a year earlier and 50.21p at the trust's January year-end.

Net losses for the half year amounted to £21,416 (profits of £33,363), equivalent to losses per share of 0.25p (0.39p earnings).

Anglo St James £289,000 in the red

Anglo St James, the commercial property developer, incurred a pre-tax loss of £289,000 in the first half of 1992.

Last year the loss was £499,000 but was not directly comparable as St James Estates was an associate at the time.

The rental income now exceeded interest payable on an annualised basis and made a substantial contribution towards overheads.

Turnover amounted to £1.35m (£174,000). Losses per share for the period were 1.8p (4.8p).

New Cavendish jumps to £369,000

New Cavendish Estates, the property investor and developer, lifted pre-tax profits from £28,419 to £368,663 in the year ended June 30.

The increase was in spite of a 4 per cent reduction in gross rental income to £1.3m (£1.36m). Earnings per share emerged at 2.17p (0.2p).

In February the company's majority shareholder, Noro-Buckfield, said it intended to dispose of its entire 54.51 per cent holding. It was expected that the sale would lead to an offer being made to all ordinary shareholders but Noro has not yet concluded a sale. The company has assisted interested parties and the associated costs are included as an extraordinary £113,000.

Exceptional charge leaves Baris in loss

Legal costs and under-performance by its Spanish offshoot left Baris Holdings, USM-quoted provider of fire protection, in the red in the six months to the end of August.

The pre-tax loss was £70,000 after an exceptional charge of £358,000, relating to legal fees in a dispute over two contracts.

Turnover for the six months increased to £11.3m, against £11m when pre-tax profits were £403,000.

Losses per share came out at 1p (earnings 3.7p) and the interim dividend is being passed (2p).

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§	F.P.	-	201	180	Chubb Security	186	+3	L2.8	2.9	2.0	20.5
120	F.P.	-	192	157	‡Tepnel Diagnostics	173	+5	-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P	-	110p	105¼p	Falcrum Inv Tst Zero Div Pf	108p	+¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
17	Nil	18/11	¼pm	¼pm	4EIT	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. y Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. & Issued by way of capitalisation. † Introduction. § Placing price. ‡‡ Reintroduction. ‡ Unlisted securities market. ◊ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares.

TRADITIONAL OPTIONS

- First Dealings Oct. 12
- Last Dealings Oct. 23
- Last Declarations Jan. 14
- For settlement Jan. 25

3-month call rate indications are shown on page 13.

Calls in **ASDA**, **Aviva Petrlm.**, **Brent Walker Pref.**, **Gestetner**, **Pilkington**, **Queens Moat Houses** and **Tarmac**. Puts in **Amber Day** and **Forte**. Double in **ASDA**.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Attwoods ....fin	3.25	Feb 1	3.25	5†	5
Baris § ....*int*	*nil*	-	2	-	2
Brooks Service ....int	nil	-	1.3	-	4.05
Hunting ....int	4	Dec 21	4	-	10
Sphere Inv ....int	0.75	Nov 30	0.9375	‡‡	3.87

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡‡Third interim, making 2.25p so far.

Trinity Holdings expected to open at premium

TRINITY HOLDINGS is likely to open at a premium to its offer price of 120p when trading in the maker of Dennis chassis and fire engines begins on Monday.

The October 6 placing valued Trinity at £61.7m.

The offer of 6.25m shares to financial intermediaries for sale to private clients was oversubscribed 2.29 times. The allocation will be scaled back to 43.62 per cent of applications.

A further 18.6m shares were placed with institutional investors on behalf of Baring Brothers by Albert E. Sharp. The 150,000 ordinary shares made available to employees were fully subscribed.

Letters of acceptance should have been posted yesterday.

Redland sells remaining stake in plasterboard venture

By Andrew Taylor, Construction Correspondent

REDLAND, one of Britain's biggest building materials companies, is proceeding with plans to sell to Lafarge Coppee of France its remaining 20 per cent stake in their loss-making UK plasterboard joint venture.

The joint venture, which made a £20m loss last year, was formed in August 1990 after Redland's original partner, CSR of Australia, sold its share to Lafarge.

Under the terms of the deal Redland has the right to request Lafarge to buy its remaining 20 per cent stake by December 1, this year.

The British group, which earlier this year announced it would exercise the option, is expected to raise £40m from the sale.

Harmony accounts qualified

By Tim Burt

THE AUDITORS of Harmony Leisure have qualified the accounts of the loss-making pubs and restaurants group, after bankers demanded a substantial reduction in the company's overdrafts and loans.

Hacker Young said Harmony's £1.66m banking facility, reduced from £2.7m in the year to March 29 1991, would be extended until October 1993 on condition there was "a phased reduction in the group's overdraft requirements in January 1993".

Barclays is understood to be seeking a six figure debt reduction at Harmony, which incurred a 70 per cent increase to £3.68m in pre-tax loss on turnover of £6.44m in the 52 weeks to March 29 1992.

Mr Robert Dawson, the newly appointed non-executive chairman who replaced Sir Stanley Grinstead earlier this week, disclosed "that the long term future of the company could well be as part of an enlarged grouping".

A number of potential bidders are thought to be interested in the property assets, which include several well-known pubs and hotels in London and the south east. No formal talks have yet begun.

A group of shareholders, meanwhile, is seeking the removal of the directors at an extraordinary meeting likely to be held next month.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.	Provisional Price for Trading on 17.10.92	Firm Prices for Trading on 16.09.92	
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.58	20.06	21.90
0100	17.58	20.04	21.87
0130	17.71	17.58	17.58
0200	21.77	20.04	21.87
0230	28.01	20.04	21.88
0300	28.01	20.04	21.87
0330	21.77	17.58	17.55
0400	21.77	17.56	17.56
0430	17.70	17.52	17.52
0500	17.64	17.52	17.52
0530	17.70	17.58	17.58
0600	17.69	17.58	17.58
0630	17.69	17.58	17.58
0700	17.79	17.63	17.63
0730	24.51	20.29	22.16
0800	22.65	23.31	25.29
0830	28.01	24.49	26.50
0900	28.01	24.49	26.48
0930	24.79	28.01	30.11
1000	26.34	28.01	30.69
1030	26.34	28.01	30.03
1100	24.79	28.01	30.00
1130	24.79	25.02	26.93
1200	24.79	24.49	26.39
1230	24.79	24.49	26.40
1300	24.79	24.12	26.03
1330	24.79	23.31	25.19
1400	18.54	17.76	17.76
1430	17.70	17.71	17.71
1500	17.69	17.69	17.69
1530	17.70	17.68	17.68
1600	17.70	17.68	17.68
1630	17.70	17.68	17.68
1700	17.72	17.73	17.73
1730	24.79	22.43	24.29
1800	24.79	22.69	24.55
1830	28.03	22.69	24.55
1900	28.03	24.75	26.67
1930	28.03	24.16	26.09
2000	28.01	28.67	30.67
2030	24.40	28.67	30.68
2100	24.40	28.67	30.71
2130	24.40	24.75	26.66
2200	22.54	24.75	26.70
2230	22.54	24.75	26.71
2300	21.49	24.75	26.71
2330	20.66	21.25	23.10
2400	17.63	20.29	22.12

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

Canadian oil restricts Hunting fall to 13%

By Richard Gourlay

HUNTING, the defence, aviation and oil services company, yesterday reported a 13 per cent fall in interim profits which would have been greater without a much improved contribution from the group's Canadian oil business.

Pre-tax profits in the six months to end-June fell from £15.56m to £13.45m on flat sales of £369.31m. Earnings per share fell from 9.1p to 8.2p and the interim dividend is maintained at 4p.

At the operating level defence profits were down from £6.3m to £3.5m reflecting the end of the group's contract to supply the MOD with JP 233 runway denial bombs that were extensively used in the Gulf War.

This division also suffered as a principal contractor in the supply of LAW 80 infantry-portable anti-tank weapons as a result of some production difficulties among sub-contractors.

Mr Ken Miller, chief executive, said that in spite of the spending cuts, Hunting's base load of defence business would not be eroded much beyond the current level.

Certain contracts for which it had tendered, including one for the management of Aldermaston, the atomic weapons establishment, could return the defence side to growth.

Profits in the aviation division fell from £5.60m to £4.65m following the loss of a contract to maintain BP's lazar-aided oil exploration aircraft over the North Sea. The group has also been hit by the reduction in the number of companies maintaining their own corporate aircraft.

Aircraft fitting had slowed on the BAe Jetstream 31 and 41 and the Saab 340. On the avionics side, the amount of overhaul work also fell.

The group, had however won an MOD contract to maintain the Rolls Royce Conway engines for the RAF's VC10 tanker fleet.

On the oil services side, Gibson Petroleum, the Canadian subsidiary, helped improve profits from £6.17m to £7.06m on sales up 17 per cent at £237m. Despite the slow-down in Canadian exploration activity, the group was able to increase its pipeline volumes.

The division also benefitted in the US where losses on specialised products were reduced.

COMPANY NEWS: UK

RHM fights Hanson with demerger plan

By Guy de Jonquières, Consumer Industries Editor

UNTIL yesterday, shareholders in Ranks Hovis McDougall were waiting for the baking and grocery group to unveil a defence strategy against the £780m hostile bid launched by Hanson 10 days ago.

What they were offered was a restructuring proposal which tacitly acknowledged that the company – or at least large parts of it – was unlikely to remain independent under present top management for very long.

Announcing plans to demerge RHM into three businesses, Mr Stanley Metcalfe, chairman, said the aim was to give shareholders an option to the Hanson bid which recognised more fully the value of their investment.

"What would really be very bad news would be if our business went too cheaply," he said. "We would never forgive ourselves for that."

The increase of only 5p to 246p in RHM's shares yesterday in a buoyant market suggests investors were not immediately convinced that they stood to gain much from RHM's own option.

Mr Metcalfe said his board had been concerned since late spring about the long slide in its share price, which had fallen to 135p, from 460p only three years ago. The board had already been considering a demerger and decided to go ahead after the Hanson bid.

A principal attraction of demerger would be to stop market perceptions of RHM's profitable grocery and cake businesses from being clouded by the problems of its milling and baking division, which have been largely responsible for its weak share price.

For the past three years the division has been savaged by a bread price war, though RHM yesterday offered a crumb of hope by announcing that it planned to buy Dalgety's bread baking business for £28m.

RHM says the purchase, which is not conditional on the demerger going ahead, would give it control over about half the surplus capacity in the bread market and three modern bakeries in the south and southwest, regions where it could use extra production. They are said to be profitable on turnover of about £50m.

It was also encouraged by recent flour and bread price increases and by a modest pick up in bread consumption.

However, the main bait for shareholders is in the grocery and cake businesses, which together earned operating profits of £84.8m on sales of £849m last year. They comprise many household names, including Mr Kipling cakes, Bisto gravy mix, Saxa salt, Paxo stuffing and Sharwood's relishes.

RHM believes the businesses would trade for as much as 15 times earnings as independent quoted companies. They would also be much more exposed to takeover by a group such as BSN of France, which has already expressed interest in buying parts of them.

Mr Metcalfe and his colleagues stopped short of saying they wanted or expected takeovers to be the ultimate outcome. But did not seek to conceal the potential rewards to shareholders if they occurred, pointing out that some branded food companies had recently been sold for 25 times earnings or more.

Whether RHM's mixed bag of brands would command that high a multiple could not be known until a bidder emerged. In any case, under RHM's plan, the opportunity would not arise until after the demerger took effect in four to six months' time.

The plan could also be complicated if there was a Monopolies and Mergers Commission investigation into the Dalgety deal. RHM considers this unlikely because the acquisition gives it about 22 per cent of the bread market, below the 25 per cent threshold which triggers an MMC reference.

However, the acquisition would give RHM 35 per cent of sliced and packaged bread sales, which account for three-quarters of the total market. That is about the same as the share held by Associated British Foods, its main rival.

Given these uncertainties, and the fact that Hanson's bid is governed by a tighter timetable than demerger, RHM's newly-hatched option may offer shareholders less of a straight choice than a fall-back contingency should a Hanson takeover fail to materialise.

Stanley Metcalfe: giving shareholders other options

RHM DEMERGER PLANS

	Turnover†	Operating† profit	Operating* profit
Flourmilling and baking	£682m	£60.9m	£12.7m
Grocery and specialty products	£673m	£66.3m	£30.6m
Cake	£176m	£18.5m	£5.1m

† Year to August 31,1991 * Six months to February 29, 1992

Hanson unlikely to be deterred

By Maggie Urry

THE DEMERGER defence is becoming something of a textbook classic in the takeover industry. Hanson's response to Ranks Hovis McDougall's adoption of the ploy is that it should be flattered; but it seems unlikely to be deterred from pursuing its bid.

Mr Derek Bonham, chief executive of Hanson, said that RHM's response "demonstrates that there is some logic in what we do". Even so, he seemed to think the RHM three-way split to be a crude break up. "People do not understand the logic and dynamics of breaking up a business," he said. "You need a clear understanding of the positioning of brands and an ability to find the right buyer".

Hanson is unlikely to be put off by RHM's proposal unless the prospect of a demerger pushed the share price out of reach. That was not the immediate effect in the stockmarket yesterday, which gave a much more muted response than when Imperial Chemical Industries announced its demerger proposal in July and its shares jumped 76p to £11.71 on the day. However, ICI's shares have fallen back since, to £10.27

RHM's price is still 26p above the cash offer. Hanson need do nothing in a hurry, apart from continuing to work on its offer document expected next week.

It was thought from the start that Hanson would need to sweeten its offer. Brokers believe, though, that it can pay 250p a share or more for RHM and still enhance its earnings in the first year.

The worry for RHM shareholders would be if Hanson walked away, leaving them without the choice of taking cash. One broker said "Hanson has got an excuse to walk away, but if it did it would get the reputation of being scared off too easily."

The bid timetable starts from the day the offer document is issued and can then run for up to 60 days, barring an appearance from a rival bidder. RHM's demerger plans will still be at an early stage even then. Hanson could put more pressure on RHM shareholders by shortening the offer period, and putting a "take it or leave" challenge to them.

Retailers must save themselves

John Thornhill reports on Geoff Mulcahy's view of future trends

NEXT MONTH Mr Geoff Mulcahy will celebrate the tenth anniversary of his leadership of the Kingfisher retailing group.

During his time at the top, Mr Mulcahy has steadily steered the group through the "feeding frenzy" of consumer spending that broke out in the late 1980s and the frantic frugality that has followed. In the process, he has created one of the UK's biggest and most resilient retailers.

Born out of the 1982 buy-out of the UK arm of the Woolworths variety store chain, the company has successfully expanded by squeezing its existing assets and bolting on the B&Q, Superdrug and Comet chains. Its market value has grown from £150m to £2.7bn in that time.

But speaking at a Financial Times conference last month, Mr Mulcahy painted a bleak picture of the future, warning of the strains likely to continue to afflict the retailing sector even after the recession had subsided. His bearish rhetoric was matched by his actions as he recently exercised his options to sell Kingfisher shares, pocketing £1m.

In his conference speech and in a separate interview, Mr Mulcahy claimed there had been a "fundamental change in the dynamics of the so-called consumer society". The industry's obsession with continually asking when the consumer upturn would arrive had blinded it to the underlying changes that were taking place, he said.

"The ship's gone down and they're all clinging to the wreckage waiting for the big white ocean liner called Recovery to come along, toss out the lifeboats and sweep them all to safety," he said. "But instead of floating about aimlessly waiting to be rescued from the shipwreck of recession, we should be learning to live with the present conditions."

This outburst of colourful rhetoric comes as something of a surprise from a businessman who has built up a reputation for being laconic – even going so far as to name his boat No Comment.

Dubbed Mogadon Mulcahy by one analyst for his dull delivery and famed for his unnerving habit of mutilating paper clips during conversations, he recoils from promoting his personality as was the habit of so many flashy retailers of the previous decade.

But in many respects Mr Mulcahy now appears the man of the moment. The retail heroes of the 1980s have all been forced to flee the scene. The anti-hero is in the ascendant. At times, he gives the impression of quite liking the recession; it presents him with a greater cerebral challenge.

Maybe it was because he came to the retailing industry relatively late in his business life that he does not share the outlook of those almost born into the trade. "When we took over Woolworths we discovered a staff leaflet saying that any employee sweeping the floors could rise to become chairman We thought that was great until we realised that they viewed it not just as an incentive but as a necessary qualification," he says.

After a career working for Esso, Norton (the US industrial group), and British Sugar, Mr Mulcahy has come to believe that retailing offers similar challenges to any other business and ones that can be overcome by rational analysis rather than instinctive responses. He believes the key determinant of success in any industry is the ability to manage change.

In Mr Mulcahy's analysis, the rate of growth of consumer spending will be far lower in the current decade while the challenges and costs will surely increase. "The demands of our customers for more convenience, wider ranges and improved service – all at lower prices – mean one thing: lower gross margins. Many analysts and fund managers have yet to come to terms with this, but I firmly believe that the days of high gross margins have long gone."

He predicts there will only be a gradual increase in total consumer spending over the course of the decade. While consumer credit exploded from £15.5bn in 1982 to £52bn by the end of the decade, he believes it will grow far more slowly to about £70bn by the year 2000.

But changes in consumer lifestyles and attitudes will make customers far more demanding, imposing additional costs on retailers. A higher percentage of women will be employed full-time and have far less time to shop adding to pressures for longer opening hours. The ageing population will lead to a shift in cultural values with more discriminating worldly-wise shoppers: by 1996 the number of 35-59 year-olds in the UK will outnumber 16-24 year-olds. The growth of "green" consumerism will increase pressures on retailers to scrutinise the environmental impact of their products and practices.

For retailers, Mr Mulcahy believes these strains will lead to a continuing polarisation between the weak and the strong. Successful companies will have to create virtuous profit circles by cutting gross margins, winning market share, lifting levels of productivity and driving increased sales volumes over the same space, or less – a tricky series of tasks in a sector still suffering from over-capacity.

To succeed, he believes retailers will have to focus more rigorously on narrowly-defined but growing markets seeking to establish market dominance. He suggests that the focusing of the disparate Woolworths chain over the last decade provides a template for what has to be achieved in the rest of the Kingfisher group. "It will be more about selling a lot of a little rather than a little of a lot," he suggests.

But Mr Mulcahy warns that retailers which fail to increase sales volumes to offset the decline of gross margins will be be stuck in a "doom loop" of continuous contraction and cost-cutting from which it will be difficult to escape.

City commentators suggest that Mr Mulcahy's analysis is likely to apply more to mass consumer markets – such as DIY, electrical goods and toiletries in which Kingfisher operates – than to specialist niche areas of the high street which are more likely to be able to maintain high margins.

But Mr Mulcahy's remarks sound strangely reminiscent of an earlier era when retailers – like Woolworths – derived great economies of scale from "piling it high and selling it cheap". The future of retailing, it seems, lies in the reversion to past practices – only, thanks to the wonders of information technology, the execution of those principles can be startlingly more efficient.

Lydia van der Meer

Geoff Mulcahy: days of high gross margins gone

MARKET STATISTICS

ECONOMIC DIARY

MONDAY: CBI survey of distributive trades, Houses of Lords and Commons return from summer recess, Third televised debate in US presidential campaign, Italian industrial production figures, Italian new orders, Spanish budget balance, French industrial production, Queen and Duke of Edinburgh start five-day state visit to Germany. African Business Show conference (five days) organised by Imagemakers International in London.

TUESDAY: Building societies monthly figures, UK money supply, US house starts, Major British banking groups' monthly statement, Motor Show media day at Birmingham (show continues until November 1), Social Security select committee into operation of pension funds, House of Commons (and Thursday), Presidents Franjo Tudjman of Croatia and Dobrica Cosic of Yugoslavia meet in Geneva for follow-up talks on normalisation of relations, 52nd ministerial meeting of Nato Nuclear Planning Group at Gleneagles, Scotland (and Wednesday).

WEDNESDAY: Board of Trade president Michael Heseltine gives evidence to Trade and Industry select committee, House of Commons; Hong Kong Governor Chris Patten visits Beijing (until Friday), UK retail sales (September) and provisional August construction orders, Smiths Industries final results. Danish-British talks start on demarcation line between Faroe and Shetland isles. Taking Taurus Live conference on implementation of Taurus organised by Equity International at the London Hilton.

THURSDAY: UK Balance of payments current account and overseas trade figures. CBI conference in London on Saudi Arabia and opportunities for UK companies to expand business links, British Chambers of Commerce quarterly economic survey.

FRIDAY: Prime Minister John Major visits Cairo.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Oct 16 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Thu Oct 15 Index No.	Wed Oct 14 Index No.	Tue Oct 13 Index No.	Year ago (approx) Index No.	1992 High		1992 Low		Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (174)	733.07	.....	7.76	5.96	16.80	27.44	732.74	747.19	749.53	825.54	929.04	20/5	664.23	9/9	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (23)	665.18	+0.8	7.87	8.20	17.98	34.67	660.12	678.53	679.44	995.95	1121.52	11/5	617.65	9/9	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (26)	568.39	+0.5	3.72	8.76	175.03	32.23	565.57	574.72	577.09	1065.83	1069.64	11/5	485.72	9/9	1951.50 16/7/87	71.48 2/12/74
4	Electricals (9)	1920.97	+0.5	8.66	7.83	15.26	85.80	1911.22	1983.85	2023.69	2534.85	2758.50	22/5	1899.78	16/9	3040.80 8/9/89	84.71 25/6/62
5	Electronics (27)	2088.52	+0.2	7.81	4.08	16.11	47.93	2084.67	2108.77	2111.16	1757.43	2111.16	13/10	1655.93	13/1	2308.22 19/5/89	1229.01 8/10/85
6	Engineering-Aerospace (6)	282.98	+0.6	12.70	8.25	10.00	13.53	281.21	284.78	286.11	356.77	406.10	20/5	273.62	28/9	502.42 13/6/90	273.62 28/9/92
7	Engineering-General (43)	427.79	-0.6	9.45	5.50	13.51	15.00	430.54	440.27	445.89	489.69	567.62	20/5	409.31	9/9	567.62 20/5/92	339.57 23/1/91
8	Metals and Metal Forming (7)	299.04	+0.8	5.81	7.32	25.02	7.52	296.70	306.68	307.90	438.06	379.31	18/5	255.51	8/9	596.67 9/10/87	49.65 6/1/75
9	Motors (14)	295.83	+1.5	6.50	7.98	22.98	14.79	291.56	293.38	294.49	346.90	403.06	21/5	274.42	1/9	411.42 13/10/87	19.91 6/1/75
10	Other Industrials (19)	1715.30	-0.6	7.28	4.85	16.60	59.29	1724.90	1759.48	1758.57	1615.58	1906.65	11/5	1480.17	9/9	1906.65 11/5/92	277.55 15/1/81
21	CONSUMER GROUP (191)	1594.38	+0.4	7.23	3.62	17.13	34.19	1588.48	1600.94	1608.10	1568.42	1761.38	11/5	1446.17	25/8	1761.38 11/5/92	61.41 13/12/74
22	Brewers and Distillers (25)	1896.24	-0.4	8.78	3.89	13.73	41.43	1903.34	1907.21	1924.86	1957.20	2278.85	11/5	1812.14	5/10	2278.85 11/5/92	69.47 13/12/74
25	Food Manufacturing (19)	1223.91	+1.6	8.75	4.32	14.12	28.04	1204.79	1213.67	1207.18	1217.84	1327.80	11/5	1064.95	10/9	1327.80 11/5/92	59.67 11/12/74
26	Food Retailing (18)	2847.80	+0.3	8.76	3.25	14.81	53.95	2840.60	2870.15	2882.44	2478.97	2998.16	18/5	2293.60	10/1	2998.16 18/5/92	54.25 11/12/74
27	Health and Household (26)	4157.70	+0.1	5.30	2.66	21.88	70.35	4151.52	4163.89	4189.50	3804.28	4654.94	14/1	3648.63	26/8	4654.94 14/1/92	175.38 28/5/80
29	Hotels and Leisure (18)	1028.94	+1.2	7.64	6.63	17.23	45.99	1016.78	1046.46	1054.53	1356.94	1450.36	13/5	898.80	16/9	1845.77 8/9/89	54.83 9/1/75
30	Media (26)	1590.62	+0.8	6.23	3.30	20.01	35.10	1577.67	1597.45	1613.38	1547.14	1721.09	11/5	1376.55	25/8	1721.09 11/5/92	1166.91 16/1/91
31	Packaging, Paper & Printing (17)	708.56	+0.9	7.16	4.58	17.38	22.00	702.46	713.88	721.39	763.10	875.53	13/5	633.17	16/9	875.53 13/5/92	43.46 6/1/75
34	Stores (33)	1024.39	+0.3	6.95	3.54	19.15	19.14	1021.68	1031.32	1029.14	1018.07	1135.66	27/4	907.08	25/8	1160.58 29/7/87	52.63 6/1/75
35	Textiles (9)	644.86	-0.4	7.36	4.76	17.10	16.65	647.61	658.24	659.56	637.20	756.70	8/5	551.94	25/8	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (117)	1287.77	+0.9	9.68	5.26	12.93	40.44	1276.31	1290.34	1295.00	1285.30	1359.32	11/5	1140.56	3/4	1359.32 11/5/92	58.63 6/1/75
41	Business Services (18)	1344.36	+0.4	6.58	3.78	18.62	25.69	1338.66	1341.94	1343.45	1412.94	1511.16	11/5	1160.34	1/9	1511.16 11/5/92	892.28 1/2/91
42	Chemicals (22)	1308.69	-1.3	7.49	5.55	16.57	48.39	1326.32	1328.43	1333.46	1454.91	1629.99	8/5	1243.05	1/9	1629.99 8/5/92	71.20 1/12/74
43	Conglomerates (10)	1278.77	+1.2	9.01	8.60	14.20	40.82	1263.50	1277.12	1281.50	1515.85	1509.94	11/5	1087.92	2/9	1819.46 11/8/89	975.19 10/11/87
44	Transport (14)	2465.18	+0.9	8.16	4.80	15.09	76.54	2443.34	2481.97	2493.12	2344.74	2790.11	20/5	2133.26	26/8	2790.11 20/5/92	90.80 29/6/62
45	Electricity (16)	1412.88	+0.2	14.70	5.19	8.77	55.01	1409.93	1415.78	1435.79	1252.34	1435.79	13/10	1044.63	7/4	1435.79 13/10/92	994.96 7/1/91
46	Telephone Networks (4)	1489.83	+1.3	10.14	4.43	12.85	46.15	1470.13	1498.07	1500.31	1567.57	1505.86	22/5	1274.20	3/4	1658.67 2/10/91	517.92 30/11/84
47	Water (11)	2983.05	+3.5	14.99	5.80	7.38	86.85	2882.71	2874.83	2879.19	2399.86	2983.05	16/10	2140.95	8/4	2983.05 16/10/92	1820.20 1/5/90
48	Miscellaneous (22)	2149.86	+1.4	6.13	4.69	20.47	55.33	2120.30	2162.15	2160.04	1887.39	2233.69	24/9	1770.94	3/1	2233.69 24/9/92	60.39 6/7/75
49	INDUSTRIAL GROUP (482)	1280.07	+0.5	8.13	4.55	15.42	35.07	1273.81	1287.65	1292.76	1295.28	1427.97	11/5	1168.49	1/9	1427.97 11/5/92	59.01 13/12/74
51	Oil & Gas (18)	2056.65	+1.0	6.56	6.31	19.98	85.40	2036.72	2041.67	2048.18	2490.86	2226.66	2/1	1756.72	7/8	2528.70 3/8/90	87.23 29/5/62
59	500 SHARE INDEX (500)	1351.87	+0.5	7.97	4.74	15.80	39.07	1344.58	1358.00	1363.27	1397.09	1493.99	11/5	1228.86	26/8	1493.99 11/5/92	63.49 13/12/74
61	FINANCIAL GROUP (83)	756.57	+1.1	-	5.84	-	30.11	748.18	761.38	762.91	797.96	802.65	20/5	631.13	25/8	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	1037.34	+1.0	5.00	5.36	30.06	40.52	1027.52	1044.46	1041.73	941.92	1056.33	25/9	790.95	3/4	1056.33 25/9/92	62.44 12/12/74
65	Insurance (Life) (6)	1531.51	+1.4	-	5.93	-	67.14	1510.44	1545.02	1565.30	1478.64	1613.38	21/5	1243.61	6/4	1632.53 4/9/91	44.88 2/1/75
66	Insurance (Composite) (7)	536.46	+3.3	-	5.62	-	18.85	519.34	533.89	537.69	606.17	564.54	13/5	418.66	27/7	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (10)	675.16	-1.2	10.60	8.32	12.39	42.23	683.30	688.11	708.48	1129.20	1031.35	27/1	527.43	25/8	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (7)	462.44	-0.6	-	4.84	-	13.71	465.15	471.50	467.09	475.68	521.89	22/5	395.41	28/8	547.59 12/10/87	31.21 7/1/75
69	Property (30)	544.58	+0.6	10.35	8.13	12.82	22.76	541.60	547.02	548.91	903.36	799.69	20/1	464.71	16/9	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (14)	239.52	.....	8.34	6.97	15.74	9.35	239.41	242.27	242.68	261.72	271.79	26/5	215.81	2/9	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (70)	1150.95	+1.0	-	3.90	-	27.18	1139.91	1148.01	1154.09	1235.99	1273.08	11/5	1024.12	25/8	1323.81 4/1/90	71.12 13/12/74
99	ALL-SHARE INDEX (653)	1208.32	+0.6	-	4.86	-	36.41	1200.77	1213.87	1218.33	1252.83	1326.36	11/5	1086.13	25/8	1326.36 11/5/92	61.92 13/12/74
		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 15	Oct 14	Oct 13	Oct 12	Oct 9	Year ago						
	FT-SE 100 SHARE INDEX‡	2563.9	+17.3	2588.0	2536.1	2546.6	2574.7	2584.7	2557.2	2541.2	2601.1	2737.8	11/5	2281.0	25/8	2737.8 11/5/92	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Oct 16	Day's change %	Thu Oct 15	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	126.74	+1.15	125.30	1.62	10.46
2	5-15 years (25)	142.44	+1.69	140.41	1.19	11.85
3	Over 15 years (8)	148.85	+1.34	146.88	2.05	9.97
4	Irredeemables (6)	168.51	+1.70	165.69	4.12	8.83
5	All stocks (61)	139.46	+1.47	137.62	1.48	11.34
	Index-Linked					
6	Up to 5 years (2)	178.75	+1.13	176.76	0.20	3.68
7	Over 5 years (10)	162.38	+1.39	160.16	0.66	4.04
8	All stocks (12)	163.43	+1.35	161.25	0.60	3.96
9	Debs & Loans (62)	119.27	+0.83	118.28	2.21	9.62

	AVERAGE GROSS REDEMPTION YIELDS		Fri Oct 16	Thu Oct 15	Year ago (approx.)	1992 High		1992 Low	
	British Government								
1	Low	5 years	7.41	7.72	8.76	10.03	15/9	7.41	16/10
2	Coupons	15 years	8.46	8.62	9.53	9.72	1/4	8.46	16/10
3	(0%-7¾%)	20 years	8.73	8.86	9.53	9.72	1/4	8.63	14/9
4	Medium	5 years	7.83	8.24	9.78	10.28	1/4	7.83	16/10
5	Coupons	15 years	8.90	9.07	9.69	9.82	1/4	8.84	1/6
6	(8%-10¾%)	20 years	9.10	9.23	9.64	9.76	1/4	8.76	14/9
7	High	5 years	8.08	8.51	9.98	10.50	1/4	8.08	16/10
8	Coupons	15 years	9.21	9.38	9.78	9.96	1/4	9.00	22/5
9	(11%-)	20 years	9.29	9.44	9.69	9.90	5/10	8.94	14/9
10	Irredeemables	†	9.17	9.33	9.71	9.92	2/4	8.85	14/9
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs.	3.13	3.46	3.81	5.06	16/9	3.13	16/10
12	Inflation rate 5%	Over 5 yrs.	3.93	4.02	4.22	4.76	16/9	3.93	16/10
13	Inflation rate 10%	Up to 5 yrs.	2.30	2.62	3.16	4.23	16/9	2.30	16/10
14	Inflation rate 10%	Over 5 yrs.	3.74	3.83	4.03	4.56	16/9	3.74	16/10
15	Debs &	5 years	9.53	9.85	11.40	11.51	6/4	9.53	16/10
16	Loans	15 years	10.33	10.45	11.22	11.22	6/4	10.07	1/6
17		25 years	10.43	10.51	11.03	11.02	6/4	9.98	1/6

‡Opening index 2544.4; 9 am 2539.0; 10 am 2547.4; 11 am 2556.5; Noon 2558.6; 1 pm 2583.5; 2 pm 2575.0; 2.30 pm 2571.7; 3 pm 2563.0; 4.10 pm 2564.2; (a) 12.33pm (b) 8.53am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London, SE1 9HL. Tel: 071-873 4613. CONSTITUENT CHANGES: ADDITION: Chubb Securities (41); DELETION: Stylo (34).

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*611)	600	19	41	52	6	25	32
	650	2½	18	29	40	55	62
[illegible]							
Trafalgar (*85)	80	7	14	16	3	7½	11
	90	2½	8	12	8	15	17
Utd. Biscuits (*321)	300	15	29	35	4½	13	20
	330	2½	14	20	22	28	37
Unilever (*1052)	1050	20	54	72	12	33	41
	1100	3½	30	47	50	63	70

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*137)	130	23	33	36	11	22	32
	140	17	29	31	19	28	40
	160	11	22	24	32	40	54

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*716)	650	75	88	102	4	12	17
	700	33	55	70	18	29	36
[illegible]							
Barclays (*316)	300	33	39	41	12	21	24
	330	19	23	28	28	37	41
	360	8	16	17	50	58	61
Blue Circle (*132)	130	17	26	27	11	16	23
	140	14	19	24	16	21	29
British Gas (*255)	240	16½	25	25	6½	9	14
	260	7	13	16	17	19	25
Dixons (*208)	200	20	30	34	10	16	20
	220	10	18	25	21	27	29
Eurotunnel (*365)	360	37	48	62	27	35	41
	390	19	38	50	42	50	57

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Glaxo (*786)	750	74	95	117	23	38	49
	800	44	67	90	45	61	70
[illegible]							

PUTS								
Oct	½	½	½	½	3½	53½	103	153
Nov	14	20	27	38	55	78	109	147
Dec	23	30	40	52	69	93	120	155
Jan	30	40	48	62	80	101	128	162
Jun †	-	65	-	95	-	140	-	190

October 16 Total Contracts 32,228
Calls 20,259 Puts 11,969
FT-SE Index Calls 6,139 Puts 4,518
Euro FT-SE Calls 966 Puts 1,015
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT FIXED INTEREST INDICES

Volume	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Year ago	High *	Low *
Govt Secs	92.03	90.57	90.15	90.07	89.70	86.28	92.03	85.11
Fixed Interest	105.15	104.79	104.73	104.63	103.85	96.38	106.46	97.15

* for 1992. Government Securities high since compilation 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation 106.46 (14/9/92), low 50.53 (3/1/75) Basis 100 Government Securities 15/10/26 Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains	5-Day Average
Oct 15	128.8	136.3
Oct 14	138.6	135.7
Oct 13	140.2	136.4
Oct 12	131.5	135.8
Oct 9	144.6	140.1

Indices: SE activity 1974

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	35	Hanson	17	Ratners	2½	Land Sec.	32
Allied-Lyons	47	Charter Cons.	44	ICI	85	Reed Intl	42	MEPC	22
Amstrad	4	Comm Union	42	Ladbroke	20	Sears	7	■ OILS	
Astec (BSR)	3½	Courtaulds	38	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	6
BAT Inds	60	Eurotunnel	32	Lex Service	19	TI	28	BP	22
BOC	49	FKI	8	Lloyds Bank	34	TSB	11½	Burmah Castrol	56
BTR	35	FNFC	6	Lonhro	8	Tesco	17	Conroy Pet	6
Barclays	28	Forte	17	Lucas Inds	11	Thorn EMI	56	Gaelic Res	½
Blue Circle	19	GKN	33	Marks Spencer	25	T & N	16	Premier Cons	2½
Boots	31	Gen Accident	40	NatWest Bank	28	Unilever	75	Shell	42
Bowater	56	GEC	17	P & O Dfd	32	Vickers	9	Tuskar Res	½
Brit Aerospace	30	Glaxo	15	Racal Elect	6	Wellcome	71	■ MINES	
British Steel	8	Grand Met	34	RHM	14	■ PROPERTY		RTZ	50
BT	25	GRE	15	Rank Org	42	Brit Land	15		

Two Japanese regional banks agree to merge

By Robert Thomson in Tokyo

TWO Japanese regional banks, Ugo Bank and Akita Akebono Bank, both based in the north-east, yesterday announced an agreement to merge in a move applauded by the Ministry of Finance and likely to be repeated in other parts of the country.

Japan's regional banks have come under increasing pressure with the gradual liberalisation of financial markets, while individual banks are reeling from ill-advised stock purchases or lending during the "bubble era" of the late 1980s.

Both of these elements appear to be at work in the merger of Ugo and Akita Akebono, as the latter bank reported a 98 per cent fall in pre-tax profit in the year ended March. The bank has admitted that its earnings were weighed down by huge appraisal losses on securities holdings.

Ugo Bank, capitalised at Y3.15bn ($26.25m) at end-March, has 71 branches, most in the Akita region and had a balance of deposits of Y621.3bn at the fiscal year-end. Akita Akebono, a former "sogo" or mutual bank, had a capital of Y2.37bn, and deposits of Y403.2bn in its 60 branches.

Executives of the two banks said yesterday that the new name is yet to be decided, although Ugo will be the more influential of the partners. The president and chairman of Ugo Bank are likely to retain those positions, while the president of Akita Akebono is expected to be vice-chairman when the merger is formally carried out next April.

Mr Tsutomu Hata, the finance minister, welcomed the merger and said the country's banks must intensify efforts to streamline operations. He said mergers should be considered as one means of improving efficiency among smaller banks.

The Regional Banks Association of Japan also applauded the announcement, and suggested that the merger was a "way to increase customer services under increasingly tough management conditions".

See Lex

More Pratt & Whitney job cuts

By Karen Zagor in New York

THE PARLOUS state of the US commercial aviation industry was underscored yesterday by Pratt & Whitney's decision to expand and accelerate its planned job cuts to 7,500 by the middle of next year from 5,000 by 1995.

Pratt & Whitney, the aero-engine manufacturing division of United Technologies, said it was responding to pressures from declining new commercial engine deliveries next year.

Aircraft manufacturers have slashed their combined 1993 production plans to 632 aircraft from 801. Largely as a result, Pratt & Whitney said its manufacturing volume for all engine models would be 21 per cent below 1992 levels.

In spite of the increase in job cuts, the company does not expect to incur additional charges.

Earlier this year, United Technologies took charges of $1.5bn to cover restructuring moves and environmental costs. A company spokesman said some flexibility had been built into the earlier restructuring plans.

In addition, many of the new job cuts are expected to come from hourly workers, who are less costly to lay off than salaried employees.

Shares in United Technologies barely moved on the news yesterday morning.

In a letter to employees, Mr James O'Connor, Pratt & Whitney's president said the reductions "reflect drastically weakening industry conditions".

Mr O'Connor declared: "Bankrupt airlines, too much capacity and the resulting fare wars are dragging down airline profits. These conditions are forcing airlines to reschedule their large commercial airplane and engine orders."

The company's spares business was also under pressure, Mr O'Connor said, with volumes about 25 per cent below 1990 levels.

In addition, Pratt & Whitney's military fighter engine business has plunged to about 100 engines in 1993 from about 700 engines a year in the early 1980s.

GM sees 20% cut in third quarter loss

By Martin Dickson in New York

GENERAL Motors, the troubled US automobile group, said yesterday it expected to cut losses in the third quarter by at least 20 per cent compared with the $1.06bn deficit it suffered in the July-September period of 1991.

It added, in a filing with the Securities and Exchange Commission, that the losses would be within the range of the leading securities analysts.

Wall Street has been predicting losses of between $550m and $1bn, with serious red ink in the group's North American automotive operations outweighing profits in European vehicles and its finance, information services and aerospace divisions.

The company said said earnings from its information subsidiary, Electronic Data Systems, should be "consistent with the year-to-year earnings trend" previously reported. In the second quarter, the business recorded a 12 per cent rise in net income.

Earnings from the aerospace group GM Hughes would be "substantially improved" from the year-ago level.

Ford Motor, the second largest US auto manufacturer, is also expected to report third quarter losses while Chrysler, the smallest of the Big Three, has indicated it will be in the black.

Lord Kadoorie to retire from China Light

LORD KADOORIE, the chairman of the China Light utility, is to retire in December after holding the post for 57 years, AP-DJ reports from Hong Kong. Lord Kadoorie, 93, will be joined in retirement by group managing director Sir William Stones, 69, who has served for 18 years.

Lord Kadoorie helped lead Hong Kong's transformation from a colonial backwater to an international trading powerhouse. He rebuilt China Light after Japan's Second World War occupation of Hong Kong, starting with a single turbine, into a group with power sales last year of HK$11.9bn (US$1.54bn).

China Light recently appointed Mr Ross Sayers as chief executive.

Lord Kadoorie will be succeeded by Sir Sidney Gordon, 75, who has been associated with the company for 45 years.

Wall St turns on Marlboro Man

Nikki Tait on why Philip Morris shares fell despite higher profits

Profit surprises from Philip Morris, the tobacco, food and brewing combine, are about as rare as the sight of the Marlboro Man without his stetson. So why did the shares tumble 10 per cent in two days, after the release of solid third-quarter results?

The reaction has little to do with the bottom-line numbers. Philip Morris remains a strong cash generator, posting double-digit earnings increases with enviable regularity. In the third quarter alone it reported a 16.4 per cent improvement in after-tax profits at $1.29bn on $15bn sales.

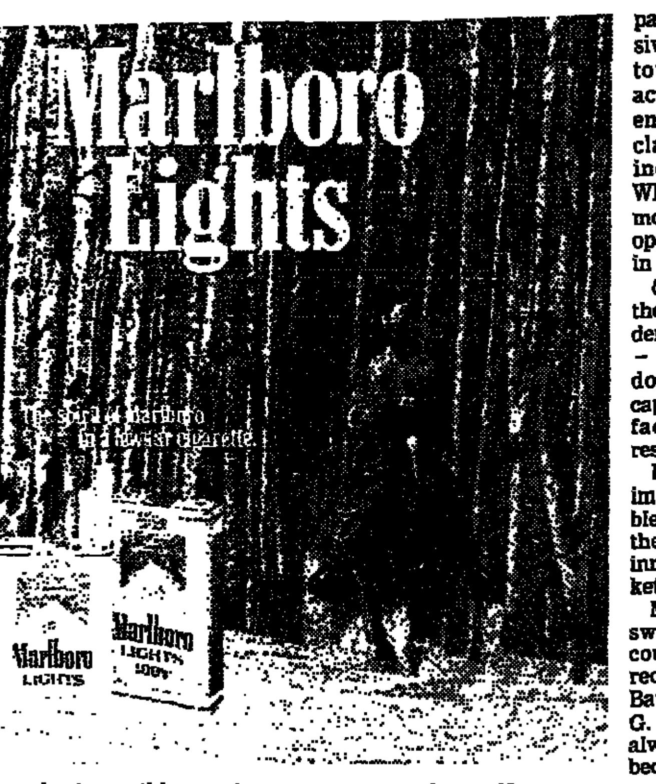
Moreover, because of the large amounts of surplus cash which are thrown off – reckoned to be around $20bn over the five years from 1991 to 1995 – Philip Morris has reinstituted a share buy-back programme. This ate up almost $600m during the latest quarter, but helped earnings per share to rise by an even more impressive 20 per cent.

This scale of advance, said Mr Michael Miles, the company's chairman, should continue into the fourth quarter. It would, he added, be "driven by continued strong performance in our international operations".

So what is the stock market's problem? It is true that elements of Philip Morris's food business have had a tough time.

Hot weather, for example, in Europe depressed sales of confectionery – the US company now owns Europe's Jacob Suchard – while a poor summer across much of the US contributed to a fall of over 40 per cent in profits at Miller Brewing.

But the reason for the share price reaction is the changing dynamics of the domestic tobacco sector. For all Philip Morris' efforts at diversification into food products and the growth of the international tobacco business, this remains hugely important. Last year, the domestic tobacco operations accounted for almost half operating profits, although only one-fifth of sales.



Demand for cigarettes is on a slowly declining trend in the US, with shipment volumes falling by about 2.5 per cent a year. But within this overall pattern, full-priced brands are suffering particularly badly, at the expense of "discount" brands.

This trend is usually attributed to the squeeze on consumer spending, and is particularly problematic for manufacturers like Philip Morris because profit margins on discount brands – as opposed to established full-price brands – are lower. This year discount brands account for around 30 per cent of the US market, against about 19 per cent as recently as 1990.

So concern about how Philip Morris's key full-priced brands – in particular, Marlboro – may fare is rampant. Recent figures provide some justification: in the third quarter, for example, Morris's total cigarette shipments were down by 0.5 per cent, at 53.3bn units, but this masked a 3.8 per cent decline for premium brands overall, and a 3.9 per cent fall for Marlboro.

For the first nine months the story was similar: a 0.4 per cent fall in total cigarette shipments, but a 2.9 per cent fall for premium brands and a slightly larger 3.4 per cent decline for Marlboro.

The shell-shock in Thursday's announcement was that Philip Morris expects a much larger 10 per cent fall in domestic shipments in the final quarter.

This, in turn, seems to result partly from the group's aggressive defensive tactics. The shift towards discount brands, according to one analyst, encouraged Philip Morris to claw extra shelf space by increasing shipping levels. When retailers baulked at the move, a stock overhang developed, which will be addressed in the fourth quarter.

Compounding the problem is the strong, but erratic, export demand – notably from Russia – which is satisfied from domestic factories. Some capacity problems and manufacturing log-jams have resulted.

But the announcement's real impact was to highlight possible long-term problems should the discount sector continue its inroads into the tobacco market.

Most analysts admit the swing to discount products could be a function of the recessionary climate. But, as Barry Ziegler, analyst with A. G. Edwards, says: "There's always the risk that people will become used to generic brands, and not return to the full-price brands."

Concerns over Philip Morris's full-price brands have also been exacerbated by the success of Camel, a competitive product sold by Morris's biggest rival RJR Nabisco.

Finally, although the company denied a recent move by its top US tobacco marketing executive to Philip Morris International implied either a shake-up or a shift in strategy, some observers have sensed the management changes could signal growing concern about Marlboro's performance.

Even so, several analysts said Thursday's stock-market reaction was overdone. With the company still confident of 20 per cent earnings growth, it was – said one pundit – too soon for a fundamental reassessment. After all, in these straitened times, such numbers are something of a rarity.

Procedure for Italian bank sale due shortly

By Haig Simonian in Milan

A PROCEDURE for the privatisation of Credito Italiano, Italy's sixth biggest bank, controlled by the IRI state holding company, should be agreed early next month.

IRI will hold a shareholders' meeting early in November to decide on the sale, amid indications that the company plans to place its entire 67 per cent stake through a competitive tender. Merrill Lynch is advising on said procedures.

The stake will not necessarily go to the highest bidder. Any purchase would have to be approved by the Bank of Italy, which is reportedly opposed to a foreign bank takeover.

Texas Instruments makes strong return to profits

By Louise Kehoe in San Francisco

TEXAS Instruments, the US semiconductor and electronics manufacturer, unveiled improved third-quarter earnings and said its semiconductor operations returned to profitability after 10 consecutive quarters of losses.

Net income for the quarter was $57m, or 58 cents a share, compared with a net loss of $113m or $1.45 per share in the third quarter a year ago. Net revenues were $1.9bn, up from $1.7bn.

The results for this year's third quarter include a pre-tax charge of $10m related to the sale of TI's multi-user minicomputer systems and services operations to Hewlett-Packard. Last year's third quarter included restructuring charges of $55m.

The turnround reflects the success of TI's efforts to increase the proportion of "differentiated" or non-commodity types of chip products it makes and so reduce its vulnerability to the volatilities of the memory chip market.

TI noted there has been significant improvement in the US semiconductor market this year, but growth in the world market continued to be restrained by sluggish economies, especially in Japan.

Revenues for the first nine months of 1992 rose to $5.4bn from $5bn.

Net income was $170m, or 54 cents, against a loss of $324m last year.

Westpac Banking plans to sell Channel Ten TV

By Kevin Brown in Sydney

WESTPAC Banking Corporation, the troubled Australian bank, is planning to sell the Channel Ten television network to a consortium led by CanWest Global Communications, a Canadian broadcasting group.

Westpac refused to reveal the sale price But Mr Frank Conroy, managing director, said it was "commensurate" with the network's A$245m (US$175m) book value.

Westpac took control of Channel Ten through a debt-for-equity swap last year. It was forced to do so after the receiver failed to find a buyer. The network had been in receivership since it defaulted on its bank debts in September 1990.

CanWest, Canada's largest private television broadcaster, has been associated with Westpac since last year, when it bought a majority stake in New Zealand's fledgling TV3 network.

Analysts said the deal would help improve Westpac's image.

Japanese retailers see first-half earnings dip

By Emiko Terazono in Tokyo

DAIEI, Japan's largest supermarket chain, has seen interim pre-tax profits fall for the first time in 10 years amid a sharp deterioration of consumer confidence in Japan.

Daiei said pre-tax profits for the six months to August fell 8.1 per cent to Y11.5bn ($95.8m) on a 0.8 per cent rise in sales to Y1,000.1bn. After-tax profits fell 6.7 per cent to Y4bn.

Full-year pre-tax profits are expected to fall 7.4 per cent to Y25.5bn on sales up 1.2 per cent to Y2,050bn.

Takashimaya, a leading Japanese department store, yesterday revealed a sharp drop in interim profits and said full-year sales and profits would fall for the first time ever.

Pre-tax profits for the first half fell 53.9 per cent to Y3.4bn on a 4.3 per cent fall in sales to Y392.9bn. After-tax profits plunged 65.1 per cent to Y1bn.

Takashimaya said pre-tax profits for the full year would fall 40.1 per cent to Y8bn on a 2.7 per cent dip in sales to Y817bn.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold per troy oz.	$342.45	-8.40	$360.00	$358.40	$335.20
Silver Per troy oz	219.90p	-6.6	239.9p	242.70p	187.58p
Aluminium 99.7% (cash)	$1164.5	-21.5	$1200.5	$1339.0	$1105.5
Copper Grade A (cash)	£1351.5	+14	£1382.5	£1418.0	£1125.0
Lead(cash)	£325.5	+6.0	£304.25	£383.5	£278.50
Nickel (cash)	$6180	-435	$7375	$8195.0	$6180
Zinc SHG (cash)	$1140.5	-39	$988.5	$1457.5	$1106.5
Tin (cash)	$5955	-290	$5582.5	$7115.0	$5425.0
Cocoa Futures (Mar)	£680	-7	£797	£733	£523
Coffee Futures (Jan)	$856	+1	£564	$1013	$676
Sugar (LDP Raw)	$230	+3.5	$238.6	$272.6	$193
Barley Futures (Jan)	£126.10	-0.40	£117.80	£126.50	£106.90
Wheat Futures (Jan)	£126.60	-0.65	$122.1	£131.85	£109.85
Cotton Outlook A Index	52.70c	-1.0	67.70c	65.90c	52.25c
Wool (64s Super)	403p	-10	347p	480p	364p
Oil (Brent Blend)	$20.80x	-0.025	$22.55	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Dec.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$18.55-8.60u	-.125
Brent Blend (dated)	$20.70-0.80	-0.05
Brent Blend (Dec)	$20.75-0.85	-.075
W.T.I (1 pm est)	$22.15-2.25u	-.075
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$218-221	
Gas Oil	$201-202	+1
Heavy Fuel Oil	$102-104	
Naphtha	$199-201	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$342.45	+0.45
Silver (per troy oz)♣	373.5c	+1.0
Platinum (per troy oz)	$357.35	+0.10
Palladium (per troy oz)	$94.25	+0.45
Copper (US Producer)	104.5c	
Lead (US Producer)	37.8c	
Tin (Kuala Lumpur market)	14.69r	-0.11
Tin (New York)	274.8c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	108.86p	-1.12*
Sheep (live weight)†♣	74.34p	-1.33*
Pigs (live weight)†	85.63p	+6.61*
London daily sugar (raw)	$230.0w	-1.0
London daily sugar (white)	$267.0w	-0.5
Tate and Lyle export price	£245.0	
Barley (English feed)	£132.75t	
Maize (US No. 3 yellow)	£141.0	
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	60.00p	
Rubber (Dec)♥	59.75p	+0.25
Rubber (KL RSS No 1 Oct)	223.5m	-0.5
Coconut oil (Philippines)§	$495.0y	-5.0
Palm Oil (Malaysian)§	$402.5	+2.5
Copra (Philippines)§	$330.0	+2.5
Soyabeans (US)	£146.5z	
Cotton "A" index	52.70c	
Wooltops (64s Super)	403p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jan/Mar y-Nov/Dec u-Dec. w-Oct/Nov. z-Nov. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX		($ per tonne)	
Raw	Close	Previous	High/Low
Dec	198.00	202.00	201.00
Mar	198.00	198.00	199.00 197.00
May	201.00	201.00	200.00
White	Close	Previous	High/Low
Dec	259.00	261.30	260.80 258.50
Mar	258.00	260.80	260.50 257.50
May	260.30	263.00	262.50 260.00
Aug	265.60	268.30	267.50 267.30
Oct	254.30	256.80	256.50

Turnover: Raw 30 (18)lots of 50 tonnes. White 808 (526) Paris- White (FFr per tonne): Dec 1285.56 Mar 1325.98

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Dec	20.84	20.88	20.99 20.77
Jan	20.78	20.84	20.81 20.73
Feb	20.66	20.74	20.75 20.64
Mar	20.60	20.64	20.60 20.59
Apr	20.42	20.41	20.42
May	20.33		20.33
Jun	20.20		20.20
Jul	20.11		20.18 20.11
IPE Index	20.80	20.89	

Turnover 12500 (30773)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Nov	199.50	198.75	200.00 198.75
Dec	201.50	201.25	202.50 201.00
Jan	201.75	201.75	202.50 201.50
Feb	196.75	196.50	197.50 195.75
Mar	190.25	190.25	191.25 190.25
Apr	184.75	185.00	185.75 184.75
May	181.50	181.75	182.50 181.50
Jun	180.00	180.50	181.00 180.00
Jul	180.50	180.25	181.25

Turnover 16443 (14811) lots of 100 tonnes

SPICES
Pepper prices are considerably ahead of the extremely low levels of a few months ago, reports Man-producten. Large scale short covering in the main origin countries has pushed domestic prices much higher, but this has not resulted in very active trading in consuming markets – most buyers prefer to wait and see. There were hardly any offers available from Brazil although it is the peak season. White pepper was offered at US$1,650 a tonne spot, $1,500 cif for Nov/Dec shipment. Black pepper prices improved to $1,250 spot, $1,175-$1,200 cif, Nov/Dec shipment.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	655	650	659 648
Mar.	680	676	685 674
May	698	696	703 693
Jul	715	713	720 711
Sep	733	729	739 731
Dec	756	754	761 754
Mar	780	779	785 779

Turnover: 3181 (6269) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 15 730.83 (716.53) 10 day average for Oct 16 750.36 (753.21)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Nov	848	850	848 838
Jan	868	853	857 843
Mar	865	865	866 853
May	862	860	862 852
Jul	867	863	862 868
Sep	878	874	870

Turnover:2151 (3348) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 15: Comp. daily 52.87 (52.75) 15 day average 50.23 (49.92)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	59.5	61.0	60.5 58.0

Turnover 99 (48) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Jun	132.00	131.00	132.00 130.70

Turnover 125 (60) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Oct	1095	1092	1095 1090
Nov	1160	1150	1163 1160
Dec	1160	1160	1161 1157
Apr	1220	1230	1225 1219
BFI	1053	1049	

Turnover 120 (112)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Nov	123.30	123.00	123.50 122.75
Jan	126.60	126.60	127.00 126.20
Mar	129.60	129.70	130.00 129.00
May	132.40	132.40	132.40
Jun	133.10		133.10
Nov	105.50	105.90	105.50
Barley	Close	Previous	High/Low
Nov	122.00	121.85	122.00 121.40
Jan	126.10	125.75	126.10 125.25
Mar	129.00	128.95	129.05
May	130.50	130.15	130.50

Turnover: Wheat 452 (160), Barley 294 (367).
Turnover lots of 100 Tonnes.

PIGS – London FOX	(Cash Settlement) p/kg		
	Close	Previous	High/Low
Oct	106.5		106.5 105.0
Nov	110.0	108.0	109.5 107.5
Jan	103.0		100.5
Feb	103.0	102.5	102.5
Mar	105.0	105.0	104.5
Apr	105.0		105.0
May	105.0		105.0

Turnover:33 (13) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 36,127 lots
Cash	1164-5	1172.5-3.5	1162	1162-2.5		
3 months	1187-8	1196-7	1193/1185	1185.5-6	1186-7	185,277 lots
Copper, Grade A (£ per tonne)						Total daily turnover 30,883 lots
Cash	1351-2	1322-3	1382/1362	1338-9		
3 months	1379-80	1353-3.5	2269/2250	1368-9	2268-72	145,078 lots
Lead (£ per tonne)						Total daily turnover 5,439 lots
Cash	325-6	319-20		322-3		
3 months	337-8	331.5-2	338/330	334.5-5	336-7	24,856 lots
Nickel ($ per tonne)						Total daily turnover 4,751 lots
Cash	6175-85	6260-70	6150	6150-5		
3 months	6251-4	6340-5	6320/6205	6230-5	6240-5	30,473 lots
Tin ($ per tonne)						Total daily turnover 1,314 lots
Cash	5950-60	5950-60		5935-45		
3 months	6010-20	6010-20	6020/5980	5995-6005	6000-20	10,455 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 20,344 lots
Cash	1140-1	1172-3	1133	1132-3		
3 months	1155-6	1184-5	1170/1136	1146-6.5	1149-50	86,377 lots

LME Closing £/$ rate:
SPOT: 1.6570 3 months: 1.6387 6 months: 1.6181 9 months: 1.6035

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	342.30-342.60	
Opening	341.70-342.00	
Morning fix	341.75	202.459
Afternoon fix	341.75	204.396
Day's high	342.50-342.80	
Day's low	341.70-342.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.89	6 months	2.00
2 months	1.90	12 months	2.18
3 months	1.94		

Silver fix	p/troy oz	US cts equiv
Spot	220.20	371.00
3 months	226.35	373.75
6 months	230.55	376.70
12 months	238.20	383.05

GOLD COINS	$ price	£ equivalent
Krugerrand	341.00-344.00	202.00-203.00
Maple leaf	352.80-355.05	-
New Sovereign	82.00-84.00	48.00-49.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1150	29	62	6	15
1200	5	33	32	36
1250	3	15	77	67
Copper (Grade A)	Calls		Puts	
2200	67	107	6	23
2300	11	49	48	64
2400	3	18	138	131
Coffee	Nov	Jan	Nov	Jan
800	48	72	1	16
850	11	42	14	36
900	1	23	54	67
Cocoa	Dec	Mar	Dec	Mar
575	80	111	1	7
600	58	91	4	12
625	38	73	9	19
Brent Crude	Dec	Jan	Dec	Jan
2050	57		19	38
2100	27	49	38	63
2150	10	31		

New York

GOLD 100 troy oz ; $/troy oz.				
	Close	Previous	High/Low	
Oct	342.4	341.0	341.8	341.8
Nov	342.4	341.1	0	0
Dec	343.2	341.9	343.6	342.4
Feb	344.5	343.1	345.0	343.6
Apr	345.7	344.3	346.1	345.6
Jun	347.1	345.7	347.1	346.5
Aug	348.6	347.2	0	0
Oct	350.3	348.9	0	0
Dec	351.9	350.5	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	360.6	359.0	362.0	357.5
Jan	358.6	356.0	357.9	355.1
Apr	355.1	354.5	356.0	356.0
Jul	355.1	354.5	357.5	357.5
Oct	357.1	356.5	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Oct	370.6	368.5	0	0
Nov	370.8	368.8	0	0
Dec	372.2	370.2	374.0	370.0
Jan	373.4	371.4	0	0
Mar	375.7	373.7	377.0	374.0
May	378.1	376.1	376.5	376.5
Jul	380.5	378.5	382.5	380.5
Sep	383.0	381.0	0	0
Dec	387.0	385.0	388.0	388.0
Jan	388.4	386.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	99.25	99.80	99.50	99.20
Nov	99.50	100.05	99.65	99.40
Dec	100.00	100.60	100.35	99.80
Jan	100.20	101.05	100.20	100.20
Feb	100.95	101.45	0	0
Mar	101.30	101.85	101.60	101.10
Apr	101.60	102.10	0	0
May	102.15	102.60	102.45	101.80
Jun	102.50	102.95	102.50	102.50
Jul	102.80	103.25	103.20	102.50

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Nov	22.33	22.33	22.46	22.26
Dec	22.23	22.25	22.37	22.16
Jan	22.13	22.15	22.24	22.07
Feb	21.99	22.01	22.06	21.91
Mar	21.83	21.86	21.90	21.83
Apr	21.68	21.71	21.75	21.62
May	21.54	21.58	21.62	21.49
Jun	21.41	21.44	21.50	21.40
Jul	21.30	21.35	21.38	21.30
Aug	21.22	21.25	21.26	21.20

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Nov	65.25	65.49	65.80	64.90
Dec	65.99	66.30	66.60	65.60
Jan	66.30	66.51	66.85	66.96
Feb	65.05	65.20	65.50	64.85
Mar	62.50	62.64	62.80	62.50
Apr	60.50	60.54	60.65	60.50
May	58.90	59.14	59.15	58.90
Jun	57.95	58.19	58.25	57.95
Jul	57.95	57.94	58.05	57.90
Aug	58.50	58.49	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	945	960	957	935
Mar	996	1011	1007	987
May	1026	1040	1037	1020
Jul	1056	1070	1067	1056
Sep	1086	1100	1078	1078
Dec	1122	1136	1120	1120
Mar	1160	1174	0	0
May	1190	1204	0	0
Jul	1227	1241	0	0
Sep	1270	0	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	62.80	62.65	62.90	61.70
Mar	64.45	64.30	64.50	63.30
May	67.50	67.20	67.50	66.40
Jul	68.80	68.55	68.85	67.70
Sep	70.45	69.50	70.60	69.60
Dec	72.85	72.05	72.00	72.00
Mar	74.00	73.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.87	8.98	8.95	8.82
May	8.98	9.05	9.00	8.92
Jul	9.00	9.10	9.02	8.99
Oct	8.96	9.09	9.05	8.98
Mar	9.04	9.16	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	52.73	52.57	53.55	52.45
Mar	52.84	52.57	53.48	52.60
May	53.16	52.92	53.80	52.90
Jul	53.70	53.35	54.30	53.45
Oct	54.80	54.40	54.85	54.75
Dec	55.13	54.60	56.70	55.00
Mar	55.80	55.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	98.80	100.30	100.50	98.50
Jan	96.20	97.45	98.00	96.15
Mar	97.20	98.20	99.20	97.20
May	97.75	99.20	98.79	97.75
Jul	97.25	98.80	99.00	98.50
Sep	97.26	98.60	99.25	98.80
Nov	97.25	98.60	99.00	99.00
Jan	97.25	98.60	98.10	98.10
Mar	97.25	98.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 16	Oct 15	mnth ago	yr ago
1613.8	1611.9	1560.3	1639.9

DOW JONES (Base: Dec 31 1974 = 100)				
	Oct 15	Oct 14	mnth ago	yr ago
Spot	114.12	114.59	119.47	114.69
Futures	114.96	115.09	115.82	123.54

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	536/0	535/0	537/4	534/2
Jan	542/6	542/4	544/6	541/4
Mar	550/4	550/0	552/0	549/0
May	556/6	557/2	559/2	556/2
Jul	563/4	564/2	566/2	563/2
Aug	566/6	568/0	568/4	566/4
Sep	568/0	567/0	568/4	567/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Oct	18.84	18.80	18.95	18.74
Dec	18.98	18.97	19.12	18.90
Jan	19.13	19.14	19.27	19.06
Mar	19.34	19.36	19.47	19.30
May	19.55	19.55	19.69	19.50
Jul	19.75	19.75	19.88	19.72
Aug	19.83	19.85	20.00	19.82
Sep	19.90	19.98	20.00	19.90

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Oct	179.4	178.3	179.7	178.5
Dec	181.4	180.6	182.0	180.8
Jan	181.8	181.7	182.5	181.6
Mar	182.2	182.3	183.0	182.0
May	182.6	182.9	183.6	182.5
Jul	184.6	184.8	185.5	184.1
Aug	185.1	185.4	186.2	185.0
Sep	186.1	186.4	186.5	186.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	207/6	210/0	209/2	207/4
Mar	216/4	218/0	217/4	210/0
May	222/6	224/2	223/6	222/4
Jul	227/4	229/0	228/4	227/2
Sep	231/0	232/0	232/0	231/0
Dec	234/2	235/0	234/6	233/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	353/0	356/4	356/0	351/6
Mar	351/2	354/0	353/2	350/0
May	340/6	341/6	341/0	338/4
Jul	317/2	319/4	319/0	316/4
Sep	323/4	324/0	325/0	323/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	76.425	76.425	76.450	76.150
Dec	74.125	74.375	74.375	73.850
Feb	71.775	71.850	71.950	71.625
Apr	72.675	72.775	72.850	72.575
Jun	69.650	69.800	69.850	69.600
Aug	68.300	68.600	68.525	68.300

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	42.825	43.225	43.000	42.550
Dec	43.825	44.425	44.275	43.700
Feb	42.625	43.150	43.050	42.475
Apr	40.775	41.200	41.150	40.725
Jun	45.825	46.075	46.075	45.650
Jul	45.100	45.300	45.200	45.075
Aug	43.950	44.150	43.950	43.800
Oct	41.100	41.200	41.200	41.000

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	42.875	43.825	43.750	42.325
Mar	43.000	43.825	43.900	42.400
May	44.500	45.200	44.950	43.850
Jul	44.700	45.350	44.750	44.000
Aug	43.800	44.500	43.600	43.000

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound resilient as rates are cut

STERLING fell two pfennigs immediately after the Bank of England signalled a one point cut in base rates, but bounced *back to close at DM2.4475, writes Emma Tucker.*

Dealers were not convinced that the currency's apparent resilience would last and said they expected further falls next week.

The market had already discounted at least a half point cut in UK base rates, which meant that much of the shock of the one point cut in rates to 8 per cent was absorbed.

However, dealers felt the latest cut indicated a shift in the government's approach to economic policy. Recent signals on policy have been mixed and the market has been unsure whether the government intends to give priority to the exchange rate or the domestic economy.

"The government has sent a signal to the foreign exchange markets that its policy, if there is one, is to focus more on domestic growth than the exchange rate. That is not something that foreign investors will like," said Mr Avinash Persaud, senior currency economist at UBS Phillips & Drew.

The market is now discounting 7 per cent base rates by the end of the year, which will exert further downward pressure on the currency. In addition, the recent high volatility of the pound means that investors are demanding a higher risk premium on the currency, also likely to push it lower.

Sterling had already shed over five pfennigs this week even before yesterday's rate cut was announced. The loss was prompted by the worsening economic and political situation in the UK which convinced the market that an easing was inevitable.

However, veiled attempts by the government and Bank of England to defuse the rate cut rumours had put the market off the scent in recent days. Thus, according to dealers, yesterday's cut had a whiff of panic about it.

The pound closed 1¼ pfennigs lower on the day, and was over 7 pfennigs lower than at the beginning of the week. Against the dollar it closed down over four cents at $1.6570.

The dollar shrugged off poor trade figures in European trading to end slightly firmer against the D-Mark. It was mainly boosted by by the rate cut in the UK. Dealers argued that the cut would put pressure on other European countries to ease monetary policy which in turn would keep up the pressure on the Bundesbank to cut rates sooner rather than later.

In London the dollar closed higher against the D-Mark at DM1.4765 compared with Thursday's close of DM1.4475.

Other European currencies were overshadowed by the reaction of the free-floating pound to the base rate cut.

£ IN NEW YORK

Oct.16	Latest	Previous Close
£ Spot	1.6470-1.6480	1.6945 1.6955
1 month	0.75-0.73pm	0.86 0.85pm
3 months	3.55-3.45pm	2.19 2.17pm
12 months	6.15-5.95pm	6.95 5.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.16	Previous
8.30 am	81.3	81.9
9.00 am	81.2	81.8
10.00 am	81.4	81.8
11.00 am	81.5	81.8
Noon	81.3	81.9
1.00 pm	80.7	81.9
2.00 pm	80.6	81.5
3.00 pm	80.8	81.6
4.00 pm	80.7	81.8

CURRENCY MOVEMENTS

Oct 16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	80.7	-28.9
U.S Dollar	61.7	-17.0
Canadian Dollar	94.7	-7.1
Austrian Schilling	114.5	+15.9
Belgian Franc	116.3	+1.9
Danish Krone	115.4	+8.4
D-Mark	125.8	+31.9
Swiss Franc	114.1	+22.3
Dutch Guilder	119.9	+21.0
French Franc	110.0	-7.0
Lira	87.8	-29.7
Yen	149.5	+85.4
Peseta	99.8	-23.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.15

CURRENCY RATES

Oct 16	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.852042	0.806417
U.S Dollar	3.00	1.44762	1.34712
Canadian $	7.93	1.80880	1.68040
Austrian Sch	8.25	14.8005	13.7932
Belgian Franc	8.00	43.3380	40.3799
Danish Krone	9.50	8.13201	7.57351
D-Mark	8.25	2.10108	1.96073
Dutch Guilder	8.00	2.37265	2.20766
French Franc	10½	7.16065	6.65949
Italian Lira	15.00	N/A	2724.46
Japanese Yen	3.25	174.293	161.277
Norway Krone	-	8.59597	8.00863
Spanish Peseta	-	150.691	140.369
Swedish Krona	50.0	7.94164	7.40377
Swiss Franc	6.00	1.87756	1.75597
Greek Drach	19	N/A	255.091
Irish Punt	-	N/A	0.747238

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct.15

OTHER CURRENCIES

Oct 16	£	$
Argentina	1.6540 - 1.6570	0.9900 - 0.9910
Australia	2.3160 - 2.3180	1.3870 - 1.3880
Brazil	11885.3 - 11901.5	7117.90 - 7118.10
Finland	7.7375 - 7.8135	4.6550 - 4.6650
Greece	316.150 - 322.50	187.970 - 191.730
Hong Kong	12.8600 - 12.8805	7.7295 - 7.7305
Iran	2427.00*	1435.00*
Korea(Sth)	1312.75 - 1333.90	779.70 - 785.90
Kuwait	0.49100 - 0.49200	0.29400 - 0.29500
Luxembourg	50.30 - 50.40	30.35 - 30.45
Malaysia	4.1560 - 4.1695	2.5010 - 2.5030
Mexico	5013.10 - 5024.30	3132.50 - 3134.50
N.Zealand	3.0705 - 3.0745	1.8430 - 1.8455
Saudi Ar	6.2620 - 6.3765	3.7495 - 3.7505
Singapore	2.6665 - 2.6750	1.6030 - 1.6040
S.Af (Cm)	4.7605 - 4.7750	2.8635 - 2.8655
S.Af (Fn)	6.9995 - 7.0445	4.2015 - 4.2285
Taiwan	42.00 - 42.15	25.20 - 25.30
U.A.E	6.1315 - 6.2450	3.6715 - 3.6735

*Floating rate. Iran Official rate £107.05 $63.95

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6570	1.6496	1.6376	1.6216	1.5970
D-mark	2.4475	2.4466	2.4428	2.4395	2.4357
French Fr	8.3100	8.2911	8.2521	8.2116	8.1439
Swiss Fr	2.1850	2.1807	2.1757	2.1693	2.1574
Yen	198.50	197.73	196.37	194.56	191.34

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.3799	-3.75	4.79	47
Dutch Guilder	2.29193	2.20766	-3.68	4.71	44
D-Mark	2.03412	1.96073	-3.61	4.63	52
Danish Krone	7.75901	7.57351	-2.39	3.33	-18
French Franc	6.82216	6.65949	-2.38	3.32	-22
Irish Punt	0.759300	0.747238	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Oct.16	£	$	DM	Yen	F Fr.	S Fr.
£	1	1.657	2.447	198.5	8.310	2.185
$	0.604	1	1.477	119.8	5.015	1.319
DM	0.409	0.677	1	81.12	3.396	0.893
YEN	5.038	8.348	12.33	1000.	41.86	11.01
F Fr.	1.203	1.994	2.945	238.9	10	2.629
S Fr.	0.458	0.758	1.120	90.86	3.803	1
H Fl.	0.363	0.601	0.888	72.00	3.014	0.793
Lira	0.466	0.772	1.140	92.45	3.871	1.018
C $	0.484	0.802	1.184	96.08	4.022	1.058
B Fr.	1.986	3.291	4.860	394.2	16.50	4.340
Pta	0.572	0.948	1.401	113.6	4.757	1.251
Ecu	0.805	1.334	1.970	159.8	6.691	1.759

Yen per 1,000: French Fr. per 10 Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT * £50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	98-31	99-04	97-10	97-18
Mar	98-22	98-22	97-07	97-12

Estimated volume 45556 (29577)
Previous day's open int. 56580 (56193)

US TREASURY BONDS 8% * $100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	103-19	103-30	103-09	104-16
Mar	102-10			103-07

Estimated volume 590 (313)
Previous day's open int. 1548 (1547)

6% NOTIONAL GERMAN GOVT. BOND * DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	91.39	91.60	91.12	91.11
Mar	91.69	91.88	91.53	91.43

Estimated volume 62983 (39127)
Previous day's open int. 170763 (171900)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Dec	106.81	106.84	106.60
Mar	106.23		

Estimated volume 1737 (662)
Traded exclusively on APT

12% NOTIONAL ITALIAN GOVT. BOND (BTP) * LIRA 200m 100ths of 100%

CHICAGO

	Latest	High	Low	Prev.
Dec	103-12	104-01	103-04	104-02
Mar	102-03	102-23	101-28	102-26
Jun	100-26	101-007	100-22	101-18
Sep	-	-	-	100-13
Dec	-	-	-	99-11
Mar	-	-	-	98-11
Jun	-	-	-	97-14
Sep	-	-	-	96-20
Dec	-	-	-	95-29

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Dec	97.01	97.02	97.00	97.01
Mar	96.96	96.99	96.95	96.98
Jun	96.68	96.71	96.64	96.69
Sep	-	-	-	96.27

BRITISH POUND (IMM) $s per £

	Latest	High	Low	Prev.
Dec	1.6566	1.6808	1.6510	1.6796
Mar	1.6390	1.6460	1.6350	1.6600
Jun	1.6250	-	1.6200	1.6436

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7627	0.7654	0.7593	0.7652
Mar	0.7565	0.7595	0.7535	0.7591
Jun	0.7530	0.7543	0.7500	0.7539

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
106	3.56	-	-	0.10	-	-
107	-	3.46	-	0.19	0.68	-
108	1.84	2.71	-	0.37	-	-
109	1.16	2.10	-	0.65	1.12	-
110	0.64	1.54	-	1.12	1.63	-
Open Int.	337,437	89,166	1,702	220,711	62,778	1,460

Estimated volume N/A † Total Open Interest 713,264
† All Yield & Open Interest figures are for the previous day.

BANK RETURN

BANKING DEPARTMENT	Wednesday October 14,1992		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	2,071,539,225	-	258,501,307
Bankers Deposits	1,414,470,596	-	176,603,670
Reserve and other Accounts	3,473,807,411	-	13,830,163
	6,974,370,232	-	448,935,140
ASSETS			
Government Securities	1,116,511,175	-	158,380,000
Advance and other Accounts	3,464,137,053	+	645,884,486
Premises Equipment & other Secs	2,385,552,686	-	937,527,421
Notes	7,944,113	+	2,029,184
Coin	225,205	+	58,611
	6,974,370,232	-	448,935,140
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	16,132,055,887	-	72,029,184
Notes in Banking Department	7,944,113	+	2,029,184
	16,140,000,000	-	70,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	7,007,976,604	+	218,687,639
Other Securities	9,121,008,296	-	288,687,639
	16,140,000,000	-	70,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	8	Credit Lyonnais	9	McDonnell Douglas Bnk.	9
Allied Trust Bank	9	Cyprus Popular Bk	9	Midland Bank	9
AIB Bank	8	Duncan Lawrie	9	Mount Banking	9
● Henry Ansbacher	9	Equatorial Bank plc	9	NatWestminster	8
B & C Merchant Bank	13	Exeter Bank Limited	9.5	Northern Bank Ltd	9
Bank of Baroda	9	Financial & Gen. Bank	9	Nykredit Mortgage Bank	9.5
Banco Bilbao Vizcaya	9	● Robert Fleming & Co.	8	Provincial Bank PLC	14
Bank of Cyprus	9	Robert Fraser & Ptnrs.	8.5	● Rea Brothers	8
Bank of Ireland	9	Girobank	9	Roxburghe Bank Ltd.	10
Bank of India	9	● Guinness Mahon	9	Royal Bk of Scotland	9
Bank of Scotland	9	Habib Bank AG Zurich	8	● Smith & Williamson Secs.	9
Banque Belge Ltd	9	● Hambros Bank	9	Standard Chartered	9
Barclays Bank	8	Hampshire Trust Plc	13.5	TSB	9
Brit Bk of Mid East	8	Heritable & Gen Inv Bnk.	9	Unibank plc	9
● Brown Shipley	9	● Hill Samuel	9	● United Bk of Kuwait	9
CL Bank Nederland	9	C. Hoare & Co.	9	Unity Trust Bank Plc	9
Citibank NA	9	Hongkong & Shanghai	8	Western Trust	9
City Merchants Bank	9	Julian Hodge Bank	9	Whiteaway Laidlaw	8
Clydesdale Bank	8	● Leopold Joseph & Sons	8	Yorkshire Bank	8
Co-operative Bank	9	Lloyds Bank	8		
Coutts & Co	8	Meghraj Bank Ltd	9		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Base rate cut

THE TIMING and the size of yesterday's cut in base rates from 9 per cent to 8 per cent took dealers by surprise.

Pressure had been mounting all week for a reduction in domestic rates but the market was anticipating only a half point cut. When no announcement came at 10am - the Bank of England's usual time for signalling base rate changes - speculation dwindled.

UK clearing bank base lending rate 8 per cent from October 16, 1992

Shortly after midday the Bank announced that houses wishing to use their borrowing facilities were invited to do so at 2.30pm when the interest rate would be 8 per cent, one point lower than the rate at which the Bank last lent to the money markets.

The previous rate cut was on September 22 when Mr Norman Lamont, the chancellor, ordered a 1 percentage point drop within days of pulling out of the European exchange rate mechanism. Yesterday's cut takes UK base rates 1½ points lower than Germany's Lombard rate.

The government's decision to cut rates was widely interpreted as a panic reaction at the end of a week in which, as one dealer put it, "98 per cent of the population turned against the government".

Many believed the government would wait until the Autumn statement in November to announce another cut. However, the political pressure for the government to act, following a string of dismal economic indicators and the announcement that 31 coal mines were to close, became overwhelming.

Short sterling futures bounced 50 basis points immediately, with the December contract moving to discount a further ½ point cut by its expiry. At the close, the futures market was discounting rates of just over 7 per cent by the end of the year.

The day's shortage was £500m. The Bank operated in new bands buying a total of £173m of bills in bands 1 and 2 at 7¾ per cent. It also lent £350m to the market at a rate of 8 per cent for seven days.

Cash money market rates, dropped eratically lower. The three-month sterling interbank rate was quoted at 8⅜ per cent from 8½ before the Bank's signal of an easing during its midday market operations.

Further along the curve one year money was quoted at 7⅞ per cent down from 8¾ per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485

NOTES- Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 2667

Treasury 13¾% Stk 2000/03 - £125¾ 126 ZZ126⅜
Exchequer 10½% Stk 2005 - £110⅜ (13Oc92)
Guaranteed Export Finance Corp PLC 11¾% Gtd Nts 1994 (Br - £103.05♦ .3♦
12¼% Gtd Ln Stk 2002(Reg) - £120¾

Corporation and County Stocks
No. of bargains included 5

Birmingham District Council 11½% Red Stk 2012 - £111
Hull Corp 3½% Stk(1st Iss) - £30 (12Oc92)
Islington Corp 12.65% Red Stk 2007 - £112 (9Oc92)
Leeds(City of) 13½% Red Stk 2006 - £119
Manchester(City of) 11.5% Red Stk 2007 - £109¾
Manchester Corp 4% Cons Irrd Stk - £36½

UK Public Boards
No. of bargains included 5

Agricultural Mortgage Corp PLC 5½% Deb Stk 93/95 - £91
6¼% Deb Stk 92/94 - £96¾ (14Oc92)
7¼% Deb Stk 91/93 - £98½
10¼% Deb Stk 92/95 - £100¼
Metropolitan Water Metropolitan Water 3% A Stk 63/2003 - £60 (9Oc92)
Port of London Authority 3¾% Stk 49/99 - £70

Foreign Stocks, Bonds, etc-(coupons payable in London)
No. of bargains included 90

Hungary (Republic of) 7½% Stg Bds(Assd Lon 1968 Sett) - £45 (9Oc92)
A.M.P.(U.K.) PLC 13% Bds 2015 (Br £5000&100000) - £118¾
Abbey National PLC 11⅝% Nts 1995 (Br£1000,10000&100000) - £100½
Abbey National Sterling Capital PLC 10⅜% Subord Gtd Bds 2002 (Br £ Var) - £103½
11½% Subord Gtd Bds 2017 - £107¼♦

[illegible]

National & Provincial Bldg Society 10% Nts 1997 (Br £Var) - £102.8 (14Oc92)
National Westminster Finance BV 11½% Gtd Cap Bds 1992 - £110½
Nationwide Building Society 11¼% Nts 1995 (Br £5000&100000) - £104⅝ 5⅜ (14Oc92)
11⅜% Nts 1997 (Br £5000 & 100000) - £107⅞ (14Oc92)
Nationwide Building Society 13.5% Subord Nts 2000 (Br £10000) - £114⅞ (9Oc92)
Zero Cpn Nts 1998 (Br £ Var) - £57¾ (12Oc92)
New South Wales Treasury Corp 10⅝% Gtd Bds 1992(Br£5000) - £100 (9Oc92)
New Zealand 9½% Nts 1993 - £98.85 (12Oc92)

[illegible]

Asahi Bank Ld Shs of Com Stk Y50 - Y791.891
Asprey PLC 6¾% Cum Prf £1 - 65½ (14Oc92)
Atlas Copco AB A Shs SK25 - SK220 2
Attwoods PLC ADR (5:1) - $9.374688
Attwoods (Finance) NV 8½p Gtd Red Cnv Prf 5p - 79
Austin Reed Group PLC Ord 25p - 185 (13Oc92)
8% Cum Prf £1 - 83 (14Oc92)
Australia & New Zealand Banking Gp New Shs SA1 (PP) (Reg) - £0.38 (13Oc92)
Australian Agricultural Co Ld $A 0.50 - 360
Automated Security(Hldgs) PLC 5% Cnv Cum Red Prf £1 - 67 (13Oc92)
6% Cnv Cum Red Prf £1 - 62 3 ¾ 4
Automotive Products PLC 4.55% Cum 2nd Prf £1 - 53½ (14Oc92)
9% Cum Prf £1 - 88
Avdel PLC 10½% Uns Ln Stk 96/98 - £90 (14Oc92)
Ayrshire Metal Products PLC Ord 25p - 35 (14Oc92)
B.A.T Industries PLC ADR (1:1) - $13.77
BET PLC ADR (4:1) - $8.72
BICC PLC 4.2%(Fmly 6%) 1st Cum Prf Stk £1 - 52 (9Oc92)
3.85%(Fmly 5½%) 2nd Cum Prf Stk £1 - 45 (9Oc92)
7¾% Deb Stk 90/95 - £96
BM Group PLC 4.8p (Net) Cnv Cum Red Prf 20p - 48 8 (12Oc92)
BOC Group PLC ADR (1:1) - $12.13
4.55% Cum Prf £1 - 67 (14Oc92)
12¼% Uns Ln Stk 2012/17 - £115⅛ ⅞ 6½
BTP PLC 7.5p(Net) Cnv Cum Red Prf 10p - 139 40

[illegible]

½ 2
Porth Group PLC Ord 20p - 2 (13Oc92)
Property Trust PLC Ord 25p - 18 (14Oc92)
Savage Group PLC 5.5% (Net) Cum Red Cnv Prf £1 - 52
Seafield Resources PLC Ord 10p - 50
Sheldon Jones PLC Ord 25p - 53 ½ (13Oc92)
Tepnel Diagnostics PLC Ord 1p - 163 4 5 70 3
Total Systems PLC Ord 5p - 45 (14Oc92)
URS International Inc Shs of Com Stk $0.01 - 1 (12Oc92)
Union Square PLC Ord 1p - 3½ (13Oc92)
Wharfedale PLC Ord 5p - 10¼

Rule 535(2)
No. of bargains included 46

Adnams & Co PLC "B" Ord £1 - £16 (12Oc92)
African Gold PLC Ord 1p - £0.08♦
All England Lawn Tennis Ground Ld Deb 91/95 £2000 - £12000 12750 (12Oc92)
Ann Street Breweries Co Ld Ord £1 - £3 (14Oc92)
Arsenal Football Club PLC Ord £1 - £250 265 (14Oc92)
Barclays Investment Fund(C.I.) Sterling Bd Fd - £41.1 (9Oc92)
Biocure Holdings PLC Ord 1p - £0.445 0.45
Dart Valley Light Railway Ld Ord £1 - £3 (13Oc92)
Dawson Hldgs PLC Ord 10p - £2¼ (12Oc92)
Douglas Gas Light Co Ld Ord £1 - £4.35
Exchem PLC Ord 50p - £2.3 (9Oc92)
Gale (George) & Co Ld Ord £1 - £5 (12Oc92)
Guernsey Gas Light Co Ld Ord 10p - £0.48 (13Oc92)
Hambros Fund Managers(C.I.) Japan Fund - £2.166 (12Oc92)
INVESCO MIM Britannia Int Ld Japan Income & Growth - £1.31 (12Oc92)
Kleinwort Benson(Int) Fund Man Japanese Fund - $0.613 (9Oc92)
KB Gilt Fund - £13.81 (9Oc92)
Int Equity Gwth Inc - £1.922♦
Lawrie Group PLC Ord £1 - £22½ 22¾ (14Oc92)
Le Riche's Stores Ld Ord £1 - £2.15 (14Oc92)
Manx & Overseas Investments Ld Ord 5p - £0.02♦
Poddington PLC Ord 5p - £0.025 (9Oc92)
Porton International PLC Ord £1 - £8
Quay Properties Ld £1 - £1.05
Rangers Football Club PLC Ord 10p - £1.1
Saxon Hawk Group PLC Ord £1 - £0.95 0.97 (14Oc92)
Schroder Management Services(Guern) Schroder European Bond - $11.2876
Selton Hotel Ld Ord £1 - £4.85 (9Oc92)
Select Industries PLC Ord 2½p - £0.04
New Ord 7½p(2½p Regd) - £0.005 (9Oc92)
Severn River Crossing PLC 6% Index-Linked Deb Stk 2012 - £105¼ (13Oc92)
Shepherd Neame Ld "A" Ord £1 - £4.45 (14Oc92)
Sky Television PLC 10% Uns Ln Stk 92/95 - £60 65 (9Oc92)
Southern Newspapers PLC Ord £1 - £2.3
Vardon PLC Ord 25p - £0.52 0.525 (14Oc92)
Vista Entertainments PLC Ord 5p - 0½
Wadworth & Co 9½% Cum Prf £1 - £0.9 (12Oc92)
10% Cum Prf £1 - £0.95 (13Oc92)
Weetabix Ld "A" Non.V Ord 25p - £11.2 11.3
Yates Bros Wine Lodges PLC Ord 25p - £1 (14Oc92)

Miscellaneous Warrants
No. of bargains included 2

Barclays De Zoete Wedd Wts Ld Put Wts (Srs M) Rltg FTSE 100 30/3/93 - £0.58 (13Oc92)
Put Wts (Srs N) Rltg FTSE 100 30/3/93 - £0.56 0.57
Citibank N.A.C PutWtsRelto FT-SE 100 Index 15/12/93 - £0.2 (14Oc92)

USM Appendix
No. of bargains included 393

Beckenham Group PLC 9% Red Cum Non-Vtg Prf £1 - 48 (14Oc92)
Bedford(William) PLC Ord 5p - 13½ ⅝ (13Oc92)
Bexbuild Developments PLC Ord 50p - 78 (14Oc92)
CMW Group PLC Ord 5p - 19
Chemex International PLC Ord 1p - 1½
Crossroads Oil Group PLC ADR (1:20) - $3.46
EIT Group PLC Ord 5p - 15
Embassy Property Group PLC Ord 5p - 5 (14Oc92)
Farepak PLC Ord 10p - 238 (14Oc92)
Flextech PLC Ord 10p - 59.60 ½ 1

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Berjuntai Tin Dredging M$1.55 (12.10)
City Developments S$3.39643.456 (14.10)
Dainippon Screen Manufacturing Y603.033 (9.10)
Kulim Malaysia Ord 22.0 (14.10)
Kulim Malaysia Ord (Malay Ord) M$1.37 (14.10)
Malayan Cement M$4.446♦ (14.10)
National Electronics (Consolidated) 3.0
Oil Search 27.0
Playmates Hldgs HK$2.76♦ (9.10)
Portman Mining A$1.35
Selangor Properties M$1.11♦ (14.10)
Storer Communications SK158.9
United Overseas Land S$1.257♦ (14.10)
Valiant Consolidated A$0.131
Wong Industrial Hldgs HK$1.836 (12.10)
Wooltru Ord £45.0 (9.10)

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LONDON STOCK EXCHANGE

Market surges after surprise rate cut

By Steve Thompson

THE BANK of England clearly emerged as the winner in the latest game of cat and mouse with the markets. The latter were caught on the wrong foot by the one percentage point reduction in UK base rates, a move which saw share prices race higher before boiling over and closing well below the day's best levels.

Nevertheless, the reduction was the trigger for a sharp upward spiral in the stock market, with the Footsie 100 Index ending a turbulent session a net 17.3 higher at 2,563.9. Over the week the Footsie 100 has risen 22.7. The Footsie Mid 250 Index, which made its market debut this week, rose 12 yesterday to 2,385.9, while the Footsie

Account Dealing Dates		
*First Dealings:		
Oct 5	Oct 19	Nov 2
Option Declarations:		
Oct 15	Oct 29	Nov 12
Last Dealings:		
Oct 16	Oct 30	Nov 13
Account Day:		
Oct 26	Nov 9	Nov 23

*New time dealings may take place from 8.30am two business days earlier.

350, which combines the 100 and 250 indices, edged up 7.9 to 1,231.3.

The session began with share prices opening easier, *reflecting overnight declines* on Wall Street and Tokyo, and ahead of the public sector borrowing requirement (PSBR) for September. The initial easiness in the market was attributed to ongoing nervousness about the economy, and end-of-account selling. The market began to scent the possibility of a rate cut in the morning, and tended to ignore the worse than expected PSBR which, at £4.1bn, compared with market forecasts of £2.5bn to £3.2bn.

The Footsie, down over 10 points at the outset, was 12 points higher at midday, minutes before the Bank of England signalled its willingness to allow a further one point fall in rates. The equity market reacted by surging to a day's high of 2,588, up just over *41 points, within 30 minutes.*

Thereafter, bouts of profit-taking and a disappointing opening by Wall Street saw the Footsie 100 backtrack to its closing level of 2,563.9.

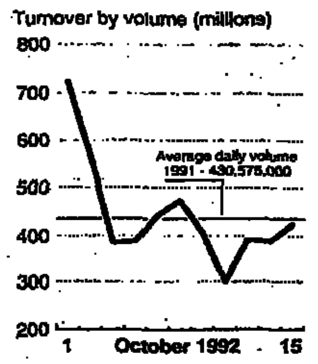
There was genuine relief in the market at the rate cut, but also widespread caution. Mr Richard Kersley, equity market strategist at BZW, explaining the late decline in the market, said; "the cut is good but the way it was carried out is not good. The key factor is to get overseas investors into the market but it will be hard work with a cloud over the currency."

Mr Ian Harnett at Strauss Turnbull said; "Only a madman would not have cut rates. It should have been done earlier in the week and I feel one per cent is too aggressive, a series of smaller steps would have been seen as controlling events."

Long-dated Gilts posted gains of over a point, with short sterling indicating a base-rate of 7½ per cent.

● Retail, or customer, business in London, fell sharply at the start of the week, but picked up as the market sensed the likelihood of a reduction in UK interest rates.

London SE volume



FT-SE Actuaries Share Indices — THE UK SERIES

	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2563.9	2546.6	2574.7	2584.7	2557.2	2575.7	2737.8	2281.0	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Mid 250	2385.9	2373.9	2401.0	2410.9	2403.0	2544.8	2825.8	2157.8	2825.8 (20/5/92)	1379.4 (21/1/86)
FT-SE-A 350	1231.3	1223.4	1237.0	1241.9	1230.4	1252.5	1342.7	1103.1	1342.7 (11/5/92)	664.5 (14/1/86)

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/Day	Low/Day
FT-SE 100	2544.4	2539.0	2547.4	2556.5	2556.6	2583.5	2575.0	2563.0	2564.2	2588.0	2538.1
FT-SE Mid 250	2371.4	2366.6	2368.1	2371.7	2374.0	2391.0	2391.5	2387.0	2386.6	2392.5	2366.6
FT-SE-A 350	1222.3	1219.7	1223.1	1227.0	1228.1	1239.4	1236.2	1231.1	1231.5	1240.9	1218.6

Gross dividend yield (ACT at 25%) FT-SE 100:4.86 %

FINANCIAL TIMES EQUITY INDICES

	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Year ago	* High	* Low
Ordinary share	1872.3	1850.2	1877.9	1891.0	1878.8	1978.2	2149.7	1670.0
Ord. div. yield	4.78	4.80	4.75	4.72	4.76	4.70	5.34	4.24
Earning yld % full	6.83	6.87	6.79	6.75	6.80	7.44	-	-
P/E ratio net	18.50	18.50	18.71	18.82	18.67	16.80	20.84	15.79
P/E ratio nil	17.29	17.20	17.39	17.50	17.36	15.94	-	-
Gold Mines	67.1	66.1	66.3	73.8	77.7	170.2	160.6	65.0

*for 1992 Ordinary share index since compilation. high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines index since compilation high. 734.7 15/2/83- low 43.5 26/10/71 Basis Ordinary share 1/7/35, Gold Mines 12/9/55.

Ordinary Share Hourly Changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/Day	Low/Day
1846.6	1846.8	1853.5	1858.8	1863.4	1886.2	1880.9	1871.4	1873.1	1889.5	1842.8

Volume	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Year ago
SEAQ Bargains	28,268	21,116	22,480	21,280	17,739	23,651
Equity Turnover(£m)†	-	910.5	940.3	898.3	625.4	698.16
Equity Bargains†	-	24,504	24,255	23,522	20,026	23,228
Shares traded (mil)†	-	425.7	389.2	391.9	299.1	346.9

† Excluding intra-market business and overseas turnover.

Dividend worry hits Barclays

SHARES in Barclays Bank fell sharply at the start of trading as the market became increasingly concerned at the possibility of a cut in the bank's dividend. Turnover of 25m shares has only been higher in the stock once in the past five years – the day after Britain left the Exchange Rate Mechanism.

Even the announcement of an interest rate cut was not enough to get the shares out of the doldrums. They recovered as Barclays, with most other banks, cut lending rates to 8 per cent, but the optimism did not hold and in the afternoon the stock drifted back to close a net 21 off at 317p.

Credit Lyonnais Laing, the stockbroker, confirmed it was forecasting a dividend cut by Barclays. The house was telling clients that the bank should come out with 15p in February against 21.15p a year ago. The house also believes the bank could well announce a pre-tax loss of £94m; it had previously pencilled in a profit of £188m.

Laing is especially concerned about the amount of loan write-off the bank will have to make - particularly following its disastrous association with Olympia & York.

ICI forecast cut

The price of Imperial Chemical Industries was hit by a sharp revision from securities house Smith New Court. The shares *closed a net 25 lower at 1027p* after the house cut its 1993 profit estimate from around £825m to £775m and cautioned that it could drop further.

The house also believes that the dividend is so thinly covered that the share price needs to reach 900p before the yield matches the inherent risk in buying the shares. *Smiths has taken a harsh view* of ICI's prospects for some time but the latest view comes at a time when many analysts were beginning to wonder if the shares were low enough to present a buying opportunity.

Mr Charles Lambert, of Smiths chemicals team argues however that there is every possibility that the dividend might be cut and that the demerger proposed for next year could be postponed. "It is hard to see how it (the demerger) enhances shareholder value," he said. The team is busily preparing *a demerger valuation for the* group which it expects to publish after third-quarter figures are released at the end of the month.

Guinness falls

International drinks group Guinness tumbled 15 to 527p as rumours abounded of downgrades from two leading houses, one of which was denied and the other unconfirmed. Guinness has come under pressure in recent weeks as analysts have questioned the company's rating in the market in relation to what is perceived as its limited scope to secure continued profit growth.

Several houses have downgraded their profit forecasts recently and yesterday James Capel was said to have followed suit. The broker denied this and attention then switched to SG Warburg which could not be reached for comment. Industry observers believe Guinness shares, which are currently at a 4 per cent premium to the market, will remain under pressure.

A flurry of excitement greeted the news that RHM (Ranks Hovis McDougall), *currently the subject of a* £680m bid from Hanson, will demerge into three separate companies by December. Analysts said that the plan would give some of the value of the Hanson takeover – which most believe will presage the break-up of the group – to shareholders should RHM fight Hanson off.

Since Hanson made its 220p a share cash offer last week, RHM's shares have been stuck *around the 240p level in the* hope of attracting a higher offer. Yesterday's move by RHM added a further 10p, although the shares later retreated to close a net 5 up at 246p, indicating investors growing confidence that an increased offer will be forthcoming.

The £24m sale of its bakery division to RHM boosted Dalgety, the shares jumping 9 to 431p. Hopes of further rationalisation in the industry lifted Associated British Food, 9 higher at 453p.

A large line of stock in Dixons, 3m believed to be on offer at 199p, failed to find a home in early trading and was then quickly withdrawn after *the rate cut announcement.* The shares advanced 4 to 209p. Kingfisher lost 3 to 505p, unhinged by a placing of 1.5m shares at 499p.

Abbey National saw the heaviest turnover in the market yesterday - 28m shares. Most of the business consisted of an agency cross of 12.2m shares dealt at 313p and representing around a one per cent stake in the building society. The share price lifted 10 to 314p, principally in response to the latest interst rate cut and Abbey's statement that it would cut mortgage rates again.

A healthy rise for Shell Transport reflected yesterday's sharp currency shifts. A fall in sterling against the dollar boosts earnings because of the translation effect and strength in the D-Mark lifts the dividend because of the guilder link through Royal Dutch Shell. The stock lifted 10 to 532p on heavy turnover of 8m.

Enterprise fell a further 15 to 408p on continuing concerns about its imminent New York listing. Burmah lost 14 at 618p with Kleinwort Benson warning that the company was most exposed in the sector to a downturn in France and Germany and Smith New Court said to have cut forecasts.

Water *stocks were strong* as the market responded to Thursday's interim pricing agreements with the official regulator. Thames was especially buoyant, jumping 20 to 460p.

The regional electricity companies held firm but the two generators fell as regulatory worries continued, along with concerns over the impact of a possible coal strike.

Lehman Brothers upgraded Wellcome which recovered 18 to 949p following recent falls. Mr Stewart Adkins of the US investment house raised his 1993 earnings per share forecast by nearly 7p to 50.5p and argued that the group has strong volume growth plus opportunities for margin expansion cash generation and tax rate reduction.

Glaxo Holdings picked up on a buoyant annual meeting and an analysts' recommendation. Glaxo said it had made a good start to the current year, which began in July, but much depended on the introduction of its five new drugs to the market. The chairman warned that the full cost effects for introducing new products worldwide were only just beginning to be felt. *Lehman Brothers raised its* forecasts to reflect new exchange rate estimates. The shares firmed 5 to 786p.

A large placing in Siebe well below its existing quoted price sent the shares into retreat. County NatWest was thought to have bought 2.7m shares at 303p and sold them into the market at 307p. Siebe shares, which had opened the day at 320p, tumbled 6 to 314p.

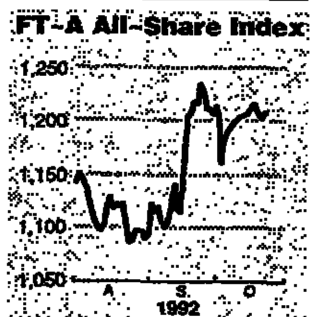
● Fixed-interest data which formerly appeared on this page – including the FT-Actuaries Fixed Interest Indices, FT Government Securities Index, FT Fixed Interest Index and FT Index of Gilt-Edged Bargains – can be found on the capital markets page, next to the Liffe equity options table.

Both the FT-SE Eurotrack 100 and 200 indices now appear on the World Stock Markets page.

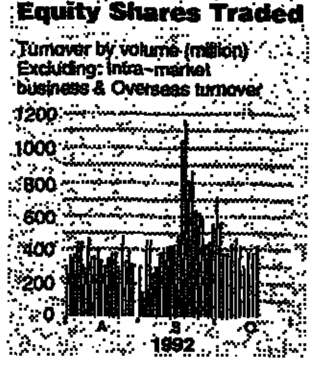
MARKET REPORTERS:
Christopher Price
Peter John

■ Other market statistics, Page 13.

FT-A All-Share Index



Equity Shares Traded



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (116).
BRITISH FUNDS (82) Tr. 8¾pc '93, Tr. 10pc '93, Tr. 8½pc '94, Tr. 14½pc '94, Ex. 13½pc '94, Tr. 10pc '94, Ex. 12½pc '94, Tr. 9pc '94, Ex. 12¾pc '94, Tr. 12pc '95, Ex. 10¼pc '95, Tr. 12¾pc '95, Tr. 14pc '96, Tr. 9pc '92-96, Tr. 15¼pc '96, Ex. 13¼pc '96, Cv. 10pc '96, Tr. 13¼pc '97, Ex. 10½pc '97, Tr. 8¾pc '97, Ex. 15pc '97, Ex. 9¾pc '98, Tr. 6¾pc '95-98, Tr. 15½pc '98, Ex. 12pc '98, Tr. 9½pc '99, Ex. 12¼pc '99, Tr. 10½pc '99, Cv. 10¼pc '99, Cv. 9pc '00, Tr. 13pc '00, Tr. 10pc '01, Tr. 14pc '98-01, Tr. 9¾pc '02, Tr. 10pc '03, Tr. 11½pc '01-04, Cv. 9½pc '04, Cv. 9½pc '05, Tr. 2pc IL '94, Tr. 2pc IL '96, Tr. 4⅝pc IL '98, Tr. 2½pc IL '01, Tr. 2½pc IL '03, Tr. 4⅛pc IL '04, Tr. 2pc IL '06, Tr. 2½pc IL '09, Tr. 2½pc IL '11, Tr. 2½pc IL '13, Tr. 2½pc IL '16, Tr. 2½pc IL '20, Tr. 2½pc IL '24, Tr. 4⅛pc IL '30.
NEW LOWS (54).
AMERICANS (1) Cadiz Land, CANADIANS (1) Can. Pacific, BANKS (1) Banco Bilbao Viz., BREWERS & DISTILLERS (3) Burtonwood, Merrydown, Wolv. & Dudley, BUSINESS SERVICES (2) Boustead, Proudfoot, CHEMICALS (2) Leigh Ints., Do 6pc Pf., CONTRACTING & CONSTRUCTION (3) Amco, Barcom, Barlo, ELECTRICALS (2) BICC, Electrolux, ELECTRONICS (2) Northamber, Pegasus, ENGINEERING AEROSPACE (1) Hunting, ENGINEERING GENERAL (8) BM, Babcock, Brammer, Hadleigh, Hall, Howden, FOOD RETAILING (1) Fydes, HOTELS & LEISURE (1) Hi-Tec, INVESTMENT TRUSTS (1) Lon. & Strathclyde.

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	76	0	1	332	20	33
Other Fixed Interest	6	0	9	30	12	33
Commercial, Industrial	287	278	856	1,119	1,432	4,557
Financial & Property	258	71	477	731	543	2,747
Oil & Gas	22	12	51	92	76	257
Plantations	1	0	8	3	0	42
Mines	53	15	79	121	154	460
Others	69	14	19	196	167	166
Totals	772	390	1,500	2,624	2,404	8,295

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	0	385	+2	Comm. Union	2,200	536	+17	Lonrho	2,600	60	-4	Shell Transport	8,000	532	+10
ASDA Group	16,000	39	+7	Cookson	1,500	153	+4	Lucas	4,500	99	+3½	Siebe	8,000	314	-6
Abbey National	28,000	314	+10	Courtaulds	1,000	457	-8	MB Caradon	450	259	+7	Slough Ests	211	107	+2
Albert Fisher	1,300	37½	+½	Dalgety	917	431	+9	MEPC	1,600	288	+2	Smith (W.H.) A	1,400	441	+2
Allied-Lyons	1,100	611	+11	De La Rue	392	831	+12	Manweb	128	449	+1	Smith & Nephew	1,400	144¼	-2½
Amstrad	1,200	25	-½	Dixons	2,400	209	+4	Marks & Spencer	3,900	326		SmKl Beecham	4,800	508	-9
Anglian Water	2,000	433	+12	Eastern Elect.	1,200	380	+3	Midlands Elect.	880	427	+1	SmKl Beecham Uts.	4,300	446	-9
Argos	467	241	+4	East Midland Elect.	1,600	383	+3	NFC	582	257	+2	Smiths Inds.	134	311	-2
Argyll Group	3,100	381		Eng China Clays	1,200	398	-15	NatWest Bank	3,400	342	+3	Southern Elect.	1,000	404	-1
Arjo Wiggins	1,400	144	+2	Enterprise Oil	2,800	408	-15	National Power	2,600	251	-3	South Wales Elect.	208	471	+1
Ass. Brit. Foods	310	453	+9	Eurotunnel Units	705	385	+1	Next	2,900	102½	-3½	South West Water	488	454	+18
Ass. Brit. Ports	445	283	+3	FKI	795	78	-3	North West Water	833	442	+15	South West. Elect.	341	421	+4
BAA	1,100	717	-9	Fisons	1,800	199	+7	Northern Elect.	490	428	-8	Southern Water	1,100	425	+11
BAT Inds	3,100	838	+15	Forte	6,100	148	+7	Northern Foods	740	288	+1	Standard Chartd.	2,700	505	+15
BET	3,300	97	+2	Gen. Accident	1,300	613	+10	Norweb	204	432	+1	Storehouse	2,200	148	-3
BICC	2,100	221		General Elect.	4,900	253		Pearson	956	338	+5	Sun Alliance	1,100	293	+9
BOC	427	708		Glaxo	3,500	786	+5	P & O	1,600	398	+17	T&N	62	132	
BP	8,600	222½	+3½	Glynwed Int.	88	211	+3	Pilkington	3,800	82	-1	TI Group	1,100	289	-1
BPB Inds	1,500	148		Granada	2,300	270	+3	PowerGen	2,800	261	-5	TSB	2,300	138	+3
BT	7,800	367	+6	Grand Met	6,500	383	+1	Prudential	1,800	281	+3	Tarmac	2,100	74	+3
BT New	5,000	264	+7	GUS A	337	1532	+4	RHM	3,600	246	+5	Tate & Lyle	583	342	+6
BTR	1,900	478	+1	GRE	3,100	154	+8	RMC	1,100	413	+19	Taylor Woodrow	1,400	51	+1
Bank of Scotland	2,500	112	-2	GKN	1,100	376	+8	RTZ	970	584	-9	Tesco	3,400	240	+5
Barclays	25,000	317	-21	Guinness	3,200	527	-15	Racal	2,300	143½	+1½	Thames Water	3,500	460	+20
Bass	2,500	518	+2	HSBC (75p shs)	10,000	458	+15	Rank Org.	818	514	+10	Thorn EMI	388	771	+6
Berisford Intl.	152	16		Hammerson 'A'	37	184		Reckitt & Colman	388	590	-2	Tomkins	909	257	-2
Blue Circle	1,700	133	+6	Hanson	5,500	219	+3	Redland	1,600	313	-8	Trafalgar House	5,300	85	-½
Booker	572	362	+7	Hanson Warrants	2,000	18½	+¼	Reed Intl	1,300	558	+10	Unigate	144	252	-1
Boots	1,500	477	+9	Harrisons Crosfield	1,500	121	+4	Rentokil	188	181	+1	Unilever	1,400	1053	+13
Bowater	443	850	+12	Hillsdown	7,000	97½	+½	Reuters	708	1234	+9	United Biscuits	803	322	+10
Brit. Aerospace	1,200	138	+2	IMI	988	224	+3	Rolls Royce	1,300	132	+2	Utd. Newspapers	1,300	430	-3
British Airways	1,900	298	+5	ICI	2,900	1027	-25	Rothmans	346	598	+13	Vodafone	2,400	339	-2
British Gas	12,000	255½	+½	Inchcape	841	489	-1	Ryl Bk Scotland	5,800	185	+9	Warburg (SG)	46	495	-7
British Land	75	160	+2	Kingfisher	3,600	505	-3	Royal Insurance	2,700	180	+8	Wellcome	1,800	949	+18
British Steel	9,800	60¼	+1	Kwik Save	93	697	+5	Saatchi	68	142	+1	Welsh Water	490	477	+16
Bunzl	209	91		Ladbroke	5,000	144	+1	Sainsbury	2,300	478	-4	Wessex Water	256	532	+13
Burmah Castrol	475	618	-14	Land Securities	1,200	399	+3	Scottish & New.	1,100	380	-1	Whitbread 'A'	863	426	+9
Burton	2,900	39½	-½	Laporte	378	570	-3	Scot. Hydro-Elect.	4,800	224	+9	Williams Hldgs.	1,900	259	-2
Cable & Wire	2,000	589	+8	Legal & General	922	358	+12	Scottish Power	6,700	201½	+7	Willis Corroon	3,600	188	-3
Cadbury Schweppes	1,900	439	+10	Lloyds Abbey	147	348	+2	Sears	11,000	85½	+½	Wimpey	697	90	+4
Calor Group	181	198	+1	Lloyds Bank	4,600	428		Sedgwick	3,400	132	-1	Wolseley	117	335	+4
Carlton Comms	339	678	+7	LASMO	2,900	185		Seeboard	1,100	417	-1	Yorkshire Elect.	787	454	+4
Coats Viyella	1,600	191	-2	London Elect.	580	408		Severn Trent Water	3,600	420	+16	Yorkshire Water	418	479	+11

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE LONG expected cut in UK base rates was the trigger for an upsurge in activity in the derivatives markets yesterday, writes Steve Thompson.

The December contract on the FT-SE opened at 2,590 and drifted back to 2,575 during a quiet early period of trading, reflecting the early weakness of the cash market which was attributed to a number of large blocks of stock being offered into the market.

However, the future began to move up in mid-morning, regaining the 2,590 level and racing ahead to the day's peak of 2,655, a premium of 80 points over fair value, after the rate cut. The market's enthusiasm was short-lived, however, as the cash market encountered profit-taking caused by sterling weakness, as well as a poor opening on Wall Street. The future closed at 2,607, a premium of 11 points above fair value, currently estimated at 32. Turnover reached 11,364 contracts.

In traded options, GEC topped the list of active stock options with 3,715 contracts traded, mostly accounted for by a spread trade involving the May 240 and 260 series. Option turnover totalled 32,364 contracts.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.9082	-	8.79	8.77	8.90
BELGIUM		8.750	06/02	102.9800	+0.300	8.28	8.35	8.80
CANADA *		8.500	04/02	103.9000	-0.460	7.91	7.74	7.60
DENMARK		9.000	11/00	98.2000	+0.700	9.32	9.50	9.27
FRANCE	BTAN	8.500	03/97	99.7162	+0.637	8.55	8.64	8.97
	OAT	8.500	11/02	100.3400	+0.550	8.44	8.48	8.56
GERMANY		8.000	07/02	104.1450	+0.330	7.38	7.43	7.48
ITALY		12.000	05/02	88.4650	-0.290	14.76†	14.57	14.24
JAPAN	No 119	4.800	06/99	100.4570	+0.178	4.71	4.72	4.82
	No 145	5.500	03/02	104.2034	-0.036	4.85	4.86	4.94
NETHERLANDS		8.250	06/02	103.9500	+0.300	7.65	7.71	7.86
SPAIN		10.300	06/02	84.3750	+0.300	13.23	13.21	12.31
UK GILTS		10.000	11/96	107-25	+1 ¼	7.73	8.36	9.99
		9.750	08/02	108-00	+1 ¾	8.52	8.98	9.36
		9.000	10/08	100-07	+29/32	8.97	9.23	8.96
US TREASURY *		6.375	08/02	98-08	-1 ⅓	6.62	6.48	6.43
		7.250	08/22	96-18	-24/32	7.54	7.50	7.41
ECU (French Govt)		8.500	03/02	98.2500	+1.030	9.10	9.28	9.18

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Friday 16th October 1992

Water	+	38.43	Conglomerates	-	0.23
Electronics	+	22.89	Packaging and Paper	-	0.84
Banks	+	21.09	Food Manufacturing	-	0.92
Electricity	+	17.76	Capital Goods	-	1.02
Food Retailing	+	17.71	Investment Trust	-	1.48
Other Industrials	+	14.70	Metal & Metal Forming	-	2.71
Media	+	13.27	Brewers & Distillers	-	2.73
Textiles	+	8.37	Business Services	-	3.00
Other Groups	+	8.21	Health & Household Products	-	5.78
Telephone Networks	+	6.42	Engineering-General	-	6.15
Stores	+	5.75	Chemicals	-	6.93
Transport	+	5.49	Oil & Gas	-	7.64
Financial Group	+	4.70	Enginnering-Aerospace	-	13.06
Merchant Banks	+	4.43	Hotels & Lesiure	-	14.97
Insurance (Composite)	+	2.90	*Electricals*	-	16.36
Insurance (Life)	+	2.60	Building Materials	-	24.54
Industrial Group	+	2.52	Insurance (Brokers)	-	30.13
Motors	+	2.32	Property	-	30.75
All-Share Index	+	1.67	Contracting, Construction	-	34.06
500 Share Index	+	1.30	Gold Mines	-	51.34
Consumer Group	+	0.24			

COMMODITIES

WEEK IN THE MARKETS

Columbus Day setback for gold

THE GOLD market – likened by one consultant this week to a fighter pilot's "hours and hours of sheer boredom peppered with a few moments of stark terror" – has moved down a notch.

Most of the week's fall of $8.40 a troy ounce came on Monday when European speculators chose the US Columbus Day holiday to drive the price down $5.05 to $345.80 – hardly dramatic, but certainly worthy enough to stifle a few yawns.

New York's Comex was open *on Monday but it was thinly* manned and European sales were not matched by US buying in the afternoon. "The US speculators followed the movement in the physical market for a change," said Mr Andy Smith, analyst at Union Bank of Switzerland, yesterday.

Gold's trading range is now well below the $348 to $352 level of the past few weeks. The market closed at $342.45 yesterday, well below the 200-day average price of $345.50, which has bearish implications *to traders who follow chart* trends.

South African and Australian producers managed to catch the market as it came down, locking in prices at R1,000 and A$480, Mr Smith said. Fears of further producer selling are likely to keep the lid firmly on the price.

This week's fall is partly a reaction to the market's failure to move above $352, some analysts suggest. The pace of the fall was accelerated *as funds* cut their losses once $348 was breached. Analysts suggest further falls are on the cards, especially as Thursday saw some heavy selling from the Middle East.

It is worth noting that platinum has held up well this week, closing at $357.35, up $1.35 from last week when it *was trading at a premium of* just over $5 to gold.

On the London Metal Exchange the rate of fall in base metals prices has slowed, although nickel and tin have been continuing headlong on the downward path.

LME warehouse stocks of nickel rose by 1,440 tonnes on Monday and by 1,878 tonnes on *Thursday, taking the total to a* record 52,728 tonnes. A year ago stocks were 8,604 tonnes and two years ago just 3,240 tonnes.

Most of the nickel pouring into LME warehouses is thought to come from Russia, which is itself beginning to suffer from the depressed market. On Tuesday Mr Nickolai Abramov, vice-general director of Norilsk, the world's largest producer, said low prices and weak demand had forced the group to cut production by 15 per cent from last year's level. Further cuts were planned next year if demand did not pick up, *he told the International* Nickel Study Group in the Hague.

The market was not impressed. "Production cuts are all very well, but nickel is still pouring out of Russia," said one analyst. Mr Abramov admitted that the country had a serious problem with the "grey market" and urged his government to adopt a strong policy to stop the leakage of *nickel, copper and cobalt.*

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	+7,800	to 1,388,726
Copper	+1,975	to 302,450
Lead	+1,200	to 177,950
Nickel	+1,878	to 52,728
Zinc	+2,250	to 376,500
Tin	-45	to 14,835

No other western producer has announced production curbs to follow Inco's cut last week, although Cominco said it had postponed a planned fourth-quarter production increase at its Glenbrook smelter. Inco said this week that it was likely to lay off between 500 and 1,000 workers in Canada in the next two years.

Cash nickel closed at $6,180 a tonne yesterday, down $435 on the week.

Tin has fallen below $6,000 a tonne this week, touching the lowest levels for five months *on the back of heavy selling,* some from China. Cash tin closed yesterday at $5,955, down $290 on the week.

Memories of the zinc squeeze are beginning to fade as fundamental news takes its proper place on the LME. However, according to Reuters news agency, technical tightness is developing in the new aluminium alloy contract, centred on January 6, the first tradeable cash date. This is partly because a grey market has been trading since June, and there is some concern that warehouse stocks might be low when cash trading begins.

News late on Wednesday that Côte d'Ivoire had banned all purchases of its mid-crop *and sub-grade cocoa for the* 1992-93 season pushed nearby prices on London Fox up by more than £30 a tonne on Thursday morning. However, by the close the market had settled back on perceptions that smuggling and other measures would lessen the effect on Ivorian sales. The March contract closed yesterday at £679, down £8 on the week.

David Blackwell

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq. 0903 204631

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	212.8	216 2xd	230.0	-1.2	5.88
(Accum Units)	5	362.6	368.4	391.9	-2.1	5.88
UK Growth	5	275.8	278.5xd	296.2	-0.7	3.42
(Accum Units)	5	343.4	346.7	368.8	-0.9	3.42
Int Equity Gth $	5	49.60	49.73	52.90	+0.25	1.12
Intl Bond	5	61.29	61.29	64.37	+0.3	6.29
Special Sits Gwth	5	13.69	14.16xd	15.06	-0.13	3.64
North American Gwth	5	73.90	74.17xd	78.90	+0.67	0.96
European Growth $	6	51.84	52.13xd	55.45	+0.55	1.15

NM Unit Trust Mngrs (1200)F
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	34.21	34.21	36.49	+0.38	0.88
(Accum Units) ♥	5¼	37.15	37.15	39.62	+0.33	0.88
Australian ♥	5¼	197.10	197.10	211.40	-3.30	0.00
(Accum Units) ♥	5¼	222.90	222.90	239.10	-3.70	0.00
Conscience	5¼	51.22	51.22	54.66	+0.09	1.52
(Accum Units)	5¼	54.61	54.61	58.28	+0.09	1.52
European	5¼	146.80	146.80	156.50	+0.89	1.06
(Accum Units)	5¼	156.60	156.60	167.00	+1.00	1.06
Extra Income	5¼	62.42	62.42	66.61	+0.48	6.85
(Accum Units)	5¼	92.32	92.32	98.52	+0.70	6.85
Far East Gth Acc	5¼	115.40	115.40	123.30	+1.70	0.00
Gilt & F I	5¼	55.34	55.34	58.57	+0.8	7.87
(Accum Units)	5¼	127.00	127.00	134.30	+2.80	7.87
Gold ♥	5¼	25.03	25.03	26.91	-0.07	0.00
(Accum Units) ♥	5¼	26.95	26.95	28.97	-0.09	0.00
Income	5¼	42.58	42.58	45.41	+0.06	6.28
(Accum Units)	5¼	124.60	124.60	132.90	+0.30	6.28
Intnl	5¼	23.59	23.59	25.11	+0.22	1.07
(Accum Units)	5¼	33.72	33.72	36.18	+0.31	1.07
Jap Smaller Cos	5¼	217.00	217.00	231.40	+5.00	0.00
Sing & Malaysian	5¼	108.30	108.30	116.10	-1.60	0.00
(Accum Units)	5¼	112.60	112.60	120.70	+1.70	0.00
Smaller Co's	5¼	18.54	18.54	19.93	+0.05	3.26
(Accum Units)	5¼	21.22	21.22	22.81	-0.07	3.26
Special Sits	5¼	25.60	25.60xd	27.52	-0.14	2.22
(Accum Units)	5¼	29.22	29.22	31.41	-0.15	2.22
Tokyo	5¼	55.63	55.63	59.33	+0.27	0.00
(Accum Units)	5¼	56.19	56.19	59.93	+0.27	0.00
UK Equity	5¼	138.30	138.30	147.50	+1.60	3.82
(Accum Units)	5¼	254.00	254.00	270.90	+3.00	3.82
US Smaller Cos ♥	5¼	75.08	75.08	80.29	+0.65	0.00

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA 071-588 3463

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	102.9	102.9	109.4	-1	2.48
PM Income & Gth	5	90.58	90.58xd	96.36	-0.43	4.33
PM Nth Amer Gth	5	72.74	72.74	77.38	+1.06	–
PM European Gth	5	62.33	62.33	65.92	+0.85	2.52
PM Japan Gth	5	68.61	69.10	73.51	+0.66	–
PM Overseas Gth	5	53.26	53.26	56.65	+0.39	0.78

Prudential Unit Trusts Ltd (1630)H
51-69 Ilford Hill, Ilford, Essex IG1 2DL 081-478 3377
Client Enquiry 081-478 3377
Intermediary Dealing 0800 010567
Pricebank 0426 925091 Two Hourly Pricing

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Prudential Managed Tst*	6	24.21	24.21	25.89	+0.30	2.37
Prudential Cash Mgmt Inc	0	101.90	101.90	101.90	+0.01	8.89
Prudential Cash Mgmt Acc	0	101.90	101.90	101.90	+0.01	8.89
Prudential Global Growth	6	65.34	65.66	70.22	+0.88	1.83
Prudential Equity Inc	6	65.72	65.72	70.28	+0.45	5.14
Prudential Equity	6	559.86	559.86xd	598.70	+2.24	3.12
Prudential European	6	146.77	146.77	156.97	+2.25	2.15
Prudential High Income	6	71.06	71.06xd	76.00	+0.55	6.43
Prudential Intl Gth	6	127.65	127.65	136.52	+2.43	1.58
Prudential Intl Sm Co	6	51.84	51.84xd	55.44	+1.01	1.16
Prudential Japanese	6	127.30	127.30xd	136.14	+2.43	0.00
Prudential Nth Amer	6	108.35	108.35	115.88	+3.15	0.60
Prudential Pacific Mkts	6	57.32	57.32	61.30	+1.38	2.30
Prudential Premier Inc	6	47.11	47.11xd	49.06	+0.73	7.80
Prudential Sm Cos	6	62.24	62.24	66.56	-0.24	3.14
Prudential Spec Sits	6	82.99	82.99	88.75	+0.99	3.00
Prudential UK Growth	6	93.05	93.05	99.51	+0.36	2.91

*Formerly Holborn Trust

Reliance Unit Mgrs. Ltd (1000)H
Reliance House, Tunbridge Wells, Kent 0892 510033

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
British Life	6	214.4	224.3	237.9	-1.0	4.53
Reliance (Inc)	6	138.0	138.0	146.7	-1.2	5.36
Reliance (Acc)	6	209.3	209.3	222.5	-1.8	5.36

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. *This charge is included in the price of units.*

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the manager will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood Essex						
Enquiries: 0277 227300. Dealing: 0277 261010						
Intl Bond & Curr.	5	113.80	114.00	120.00	+0.10	6.40
Pooled Pension §	3¼	130.4	135.1	139.8		-
Smaller Cos	5	49.66	51.57	54.28	-0.34	2.76
UK General	5	104.00	105.90	111.00	-0.20	2.75
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071-407 5966						
Income	5	325.21	325.21	344.72	+1.42	6.01
Global Inc.	5	46.47	46.47	49.26	+0.18	4.97
Brit Leaders	5	280.45	280.45	297.28	+1.53	3.43
Intl Leaders	5	148.20	148.20	157.09	+0.93	2.09
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	43.72	43.81	46.60	-0.09	2.13
Far Eastern Tst	6	50.18	50.28	53.48	+3.48	0.93
Smaller Cos	5	104.9	109.5	116.4	+4.30	1.10
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	222.7	223.0	235.9	+1.6	0.99
S & W Capital	5	98.39	98.39	105.4	-0.2	2.14
S & W Cash §	0	100.59	100.59	100.59	+0.02	9.28
S & W European	5	98.17	98.57	104.3	+0.8	1.58
S & W Far Eastern	5	98.20	98.98	104.7	+2.1	0.14
S & W Growth	5	106.3	107.5	113.7	-0.5	1.79
S & W Income	5	90.81	92.17	97.53	-1.21	6.18
S & W Magnum	5	104.0	104.0	111.6	-0.1	1.95
S & W Smllr Secs	5	229.9	235.3	248.9	-0.6	1.28
S & W Throgmorton	5	120.0	120.0	128.8	-0.2	1.92
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
American Gwth	5¼	61.22	61.22	65.47	+1.95	0
Eur Sp Sits Acc	5¼	38.73	38.73	41.21	+0.31	0
Eur Sp Sits Inc	5¼	36.98	36.98	38.92	+0.31	0
Far East Opps Inc	5¼	23.42	23.42	25.24	+0.64	0

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	80.46	80.46	82.32	+8.93	0.00
Short Dtd Gilt	1¼	103.0	103.0	104.3	+0.7	1.93
U S Govmt Bond	1¼	0.7034	0.7034	0.7126	+0.005	0.00
Gilt Income	4	49.56	49.56	51.57	+0.46	9.30
Gilt Growth	4	60.80	60.80	63.27	+0.59	0.00
City Reserve	0	54.83	54.83	54.83	+0.03	10.8
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	56.19	56.41	60.01	+0.25	2.78

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exps Sep 16	530.6	547.5		1.27
James Capel Fund Managers Ltd				
Managed Exempt	£112.591	119.023	+0.976	4.70
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517.80	519.90		5.69
Fxd Int Sec Sep 30	144.40	145.00		10.00
Deposit Fund. See Money Market Trust Funds				
Charinco/Charishare (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc.	167.6	169.5	+0.70	9.68
Charinco Acc.	959.3	970.7	+4.10	9.68
Charishare Inc.	163.5	167.4	-0.50	4.72
Charishare Acc.	207.4	212.3	-0.60	4.72
CAFINVEST—Charities Aid Foundation				

INSURANCES

Continued on next page

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Sun Alliance Group – Contd.

Property Growth Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Investment	259.3		+0.8	-
Investment (A)	249.7		+0.8	-
Abbey National	365.9		+0.2	-
Abbey National (A)	389.5		+0.2	-
Actuarial	454.1		+1.3	-
Agricultural	734.8		+0.5	-
Agricultural (A)	706.0		+0.4	-
Building Society	209.4		+0.1	-
Equity	972.8		+3.2	-
[illegible]				

Albany International Assurance Ltd

St Mary's, Castletown, Isle of Man 0624 823262

	Bid Price	Offer Price	+ or -	Yield Gross
Global Sterling Fd	£1.147		+0.002	-
UK Sterling Fd	£0.947		-0.003	-
European Sterling Fd	£1.151		-0.005	-
Japan Sterling Fd	£0.604		+0.002	-
Nth American Sterling	£1.207		+0.013	-
Pacific Basin Stlg	£1.133		+0.012	-
U K Blue Chip Stlg	£1.366		-0.006	-
Gld Money Sterling	£1.812		+0.001	-
Global Dollar Fd	$0.951		+0.004	-
[illegible]				

Target International Group

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Pers Plan	£13.76	0.82		-
US Dollar Pers Plan	$10.70	0.76		-
Yen Pers Plan	Y140	1.51		-
Ecu Pers Plan	Ec10.53	0.84		-
Sterling Man Fd	£3.95	2.31		-
Sterling Fixed Int Fd	£1.92	2.03		-
US Dollar Man Fd	$1.23	1.31		-
US Dollar Fixed Int Fd	$1.65	1.75		-
Ecu Bond Fd	Ec10.94	1.00		-
[illegible]				

Adams & Nevile Fd Mangt (Guernsey) Ltd

PO Box 255 St Peter Port Guernsey CI 0481 710651

Baring Intl Fd Managers (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey 0481 710651

Equitable International Fund Managers Ltd

PO Box 255, St Peter Port Guernsey CI 0481 710651

Lazard Fund Managers (CI) Ltd

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE INSURANCES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)

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	Bid Price	Offer Price	+ or −	Yield Gross
Gartmore Fund Managers (IoM)				
Intl. Inc.*	15.6	16.6	+0.1	12.0
* Projected Yield				
John Govett Management (IoM) Ltd				
Gvt Geared Curr Oct 16		$16.24		−
Paragon Plus Ret Dec 1		£9.17		−
Paragon Stg Ret Dec 1		£10.60		−
SE Asian Wnt NAV Oct 15		$9.81		−
Govett Mngd Ftre Oct 16	£13.82	15.11		−
Govett Mngd Ftre Oct 16	$09.92	10.85		−
Mex Horizons Inv Oct 15		$15.04		−
Mex Amazonite Wnt Oct 15		$5.81		−
Dlr Geared Fd Oct 16		$8.00		−
IBI Global Funds Limited				
Intl Stg Grwth	£18.37	19.34		−
Intl $US Grwth	$17.70	18.65		−
High Income Gilt	£24.38	25.29		−
International Equity	£18.44	19.42		−
International Bond	£21.14	21.91		−
Managed Currency	£26.37	26.65		−
Sterling Currency	£26.16	26.43		−
US$ Currency	$37.65	38.04		−
Irish £ Currency	I£14.89	15.05		−
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8.18	8.81		−
B.F. Offshore Inc Fd Ltd	£10.71	11.21		−
Natham Metals Wth 5/5	£8.76	9.12		−
LFM Sterling Fd	£10.69	11.14		−

	Bid Price	Offer Price	+ or −	Yield Gross
INVESCO MIM International Limited				
All Funds deal daily except where indicated				
Sterling Denominated Income Funds				
American Equity Inc.	£1.567	1.682m	+0.010	2.79
Japan Inc & Gwth	£1.338	1.436	+0.007	1.88
Sterling Denominated Growth Funds				
Capital Deposit	£37.47	37.48		−
European Perform	£0.4015	0.4317m	+0.0003	−
Far East	£2.262	2.431	+0.020	−
Pioneer Markets	£3.199	3.440	+0.023	−
UK Growth	£1.107	1.190	−0.004	2.20
£ Mng Portfolio	£1.443	1.550	+0.008	−
US Dollar Denominated Growth Funds				
Gold & Prec Mtls	$0.643	0.691	−0.004	−
Japan Performance	$2.096	2.254	−0.011	−
Gld NW 1994 **	$9.10		−	−
MIM London Agents				
Apollo Fd Oct 14*	SFr76.50	82.00		−
*Weekly Dealing †Fortnightly Dlng **Monthly Dlng				
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inc Port.	£2.307	2.423		1.18
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.55	9.59	+0.03	9.80
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Oct 15	$13.63	13.92		2.87
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	50.8	53.0	(z)	8.47
UK Equity Fd (z)	199.2	212.0	(z)	3.02
Intl Bond Fd	94.0	97.0	(z)	7.53
Natural Resources Fd	110.2	117.0	(z)	0.43
Sterling Mngd Asst Fd	501.9	529.0		5.00
*Sub. day every Thurs **Sub. day monthly 5th and 20th				
Rothschild TrustCor Currency Fund (z)				
Dollar Class		$37.9451	(z)	−
Sterling Class		£26.6004	(z)	−

JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS
(3 pm)

October 16	US$	+ or –
AAR Corp	11¼	–⅛
AMP Inc	61¾	+½
AMR Corp	59⅝	+1⅜
ASA	34¼	+½
Abbott Labs	29⅛	–⅜
Acme Cleveland	6½	....
Advanced Micro	12⅞	+¼
Aetna Life	42	–½
Affiliated Publ	10¼	....
Aflac	29⅞	+⅛
Ahmanson (HF)	13⅞	+⅜
Air Prod & Chemical	43	....
Alberto-Culver B	23¼	....
Albertson's	44¾	+½
Alcan Aluminum	15⅞	+⅜
Alco Standard	35⅝	+⅛
Alexander & Alex	25⅜	–⅜
Alex & Baldwin	22½	+¼
Allegheny Power	46⅝	–¼
Allied Signal	53	....
Aluminum Co of Am	65⅝	+1⅜
Amax	15½	+⅛
Amdahl Corp	7⅞	–⅛
Amerada Hess	47¼	+¼
Amer Brands	43¼	–⅛
Amer Cyanamid	54½	+¼
Amer El Power	32½	....
Amer Express	20⅛	–⅛
Amer Genl Corp	49¼	+¼
Amer Greetings A	47	+⅛
Amer Home Pr	68⅛	–⅛
Amer International	108⅛	+2⅜
Amer Natl Ins	41½	....
Amer Stores	41⅜	+⅝
Amer T & T	42xd	....
Ameritech	67⅞xd	+¼
Ames Dept Stores	0.50	....
Ametek Inc	14⅞xd	+⅛
Amoco	51⅛	+1¼
Analog Devices	10¼	....
Anheuser-Busch	55	+½
Aon Corp	49½	–⅜
Apple Computer	49	+3½
Archer Daniels	25⅜	....
Arkla	9⅛	–½
Armco	5¼	....
Armstrong World	27	+¼
Asarco	22½	+⅛
Ashland Oil	26¾	+⅛
Atlantic Richfield	118¼	–⅛
Auto Data Pro	46	....
Autodesk	50¼xd	+⅜
Avery Dennison	25½	+⅜
Avnet Inc	29½	+¼
Avon Products	55¾	+¼
Bairnco Corp	6⅛	....
Baker Hughes Inc	23⅛	+⅛
Ball Corp	28¼	–⅝
Bally	4.75	....
Baltim Gas & El	22⅜	–⅛
Banc One	44½	....
Bandag	59⅛xd	+⅛
BankAmerica	42¼	+¼
Bank of Boston	20	+¼
Bank of New York	45⅛	–⅛
Bankers Trust NY	64⅛xd	+⅛
Barclays plc ADR	21¾	–1⅜
Barnett Banks	38⅝	–¼
Battle Mount Gold	5⅜	....
Bausch & Lomb Inc	53	+⅛
Baxter Intl	32⅜	–¼
Becton Dickinson	75⅞	+⅜
Bell Atlantic	47½	....
Bell Industries	10⅝	....
BellSouth	52⅜	–¼
Belo (A H) A	44¼	....
Beneficial Corp	59⅞	–⅛
Bethlehem Steel	10½	....
Betz Labs	54⅝	–⅛
Beverly Enterprises	10⅝	+⅛
Black & Decker	16	....
Block (H&R)	33	+¼
Boeing	36¾	–¼
Boise Cascade	18⅛	....
Borden Inc	27½	+⅛
Bowater Inc	18⅜	....
Briggs & Stratton	47¼	+¼
Bristol Myers Squibb	63⅝	–⅛
Brit Airways ADR	49¾	–⅛
BP ADR	45⅛	–⅛
Brit Steel ADR	10¼	–¼
Brit Telecom ADR	60⅜	–¼
Broad Inc	22⅞	+½
Brooklyn Union Gas	32⅞	....
Brown Group	26xd	+⅜
Brown & Sharpe	5⅛	–⅜
Brown-Forman B	82⅜	–⅝
Browning Ferris	22¾xd	–⅛
Brunswick	12⅝	....
Burlington Nthn	38⅝	+¼
CBI Inds	30¼	+⅝
CBS	200⅞	–4½
CMS Energy Corp	17⅛	–¼
CNA Financial	94⅞	–½
CPC International	46¼xd	+½
CSX	58½	+⅛
Cabot Corp	47¾	....
Campbell Soup	42½	–¼
Can Pacific	12⅛xd	+⅛
Capital Cities ABC	426xd	–4
Capital Holdings	60½	–⅜
Carlisle Cos	42¼	+½
Carolina Pwr & Lt	51⅝	....
Carpenter Tech	43⅞	–½
Caterpillar	50¾	–⅞
Centel Corp	32¼	+⅛
Centerior Energy	18¾	+¼
Centex Corp	28½	+1⅞
Central & SW	28½	....
Ceridian	14⅜	+⅛
Champion Intl	24⅝xd	+¼
Charming Shoppes	36¾xd	+1⅜
Chase Manhattan	22¼	+½
Chemical Bkg Corp	31½	+⅛
Chevron Corp	73¼	–¼
Chiquita Brands	17½	....
Chris-Craft	26½	–⅛
Chrysler	24⅛	....
Chubb Corp	83⅛xd	+¼
Cigna Corp	51¾	....
Cincin Milacron	13⅞	–⅛
Citicorp	15	+⅛
Clark Equipment	16⅝	–2
Clevld Cliffs	33	+¼
Clorox	43¼	+⅜
Coastal Corp	28⅞	+⅛
Coca Cola	40⅜	+1⅛
Coca Cola Ent	11⅞xd	–⅛
Colgate-Palmolive	57½	–¼
Columbia Gas	19⅞	–⅛
Comcast Corp A	14¾	....
Commerce Cl Hse	17¼xd	+⅜
Commonw Edison	22⅜	+⅛
Commun Satellite	41⅜	+⅛
Compaq Computer	38⅝	+⅛
Computer Ass Intl	16¾	+⅜
Computer Sciences	68	–¼
Conagra	29¾	....
Cons Edison	30½	–¼
Cons Freightways	13⅞	+⅝
Cons Nat Gas	45¼	–⅜
Cons Paper	40⅛	+⅝
Cons Rail	38⅞	–⅛
Contl Bank Corp	16⅝	....
Contl Corp	25¼	+¼
Cooper Inds	51¾	–⅝
Coors (Adolph)	19⅛	....
Corestates Finl	48⅜	–⅛
Corning Inc	37⅛	+⅜
Crane	22¼	–¼
Cray Research	20¼	–2½
Crown Cork & Seal	35½	–⅜
Cummins Engine	61	–1⅜
Curtiss-Wright	28¾	....
Cypress Semicond	8¼	+⅛
Cyprus Minerals	27⅞	....
DSC Common	13	+⅛
DQE	31¾	+⅛
Dana Corp	35¾	–¼
Data General	12¼	+⅛
Dayton Hudson	73⅝	+⅝
Deere	40⅛xd	+⅞
Delmarva Pwr & L	22⅞	....
Delta Air Lines	56¾	+¼
Deluxe Corp	41⅝	....
Detroit Edison	31½xd	+⅛
Dial Corp Del	37⅛	–⅞
Diebold Inc	55½	....
Digital Comms	14¼	....
Digital Equipment	34½	–½
Dillard Dept St	40	+1½
Disney (Walt)	35⅝	....
Dole Food Inc	27⅝xd	+⅞
Dominion Res	37⅞	–⅛
Donnelley (RR)&Sons	29⅛	+⅛
Dover Corp	43¾	+¼
Dow Chemicals	53⅝	+¼
Dow Jones	27½	....
Dravo Corp	7½	....
Dresser	19	–⅛
Dreyfus Corp	36¾	–⅜
Duke Power	35⅛	–¼
Dun&Bradstreet	57⅞	–⅛
Du Pont	47⅜	+½
E G & G Corp	21¼	+¼
E-Systems	37½	....
Eastern Enterprises	25¼	+¼
Eastman Kodak	42	–¼
Eaton Corp	73⅜	+⅜
Echlin Inc	19¼	–¼
Emerson Electric	51¼	....
Engelhard Corp	30⅝	+⅜
Enron Corp	47¾	+⅛
Enserch Corp	15¾	+⅜
Entergy Corp	31½	+⅜
Ethyl Corp	26¾	–⅛
Exxon	62½	–¼
FMC Corp	43⅛	–⅜
FPL Group	35⅞	–¼
Fedders Corp	5	–¼
Federal Express	41⅞	+2⅞
Federal Mogul	17	+⅜
Fed Nat Mtge	67⅞	+⅞
Federal Paper Brd	26¼xd	....
Fieldcrest Cannon	17⅛	–⅛
Fina Inc A	65¾	....
First Bank Systems	24½	....
First Chicago	32⅛	+½
First Fid Bancorp	38¼	–⅛
First Interstate	40	....
First Mississippi	7⅜	–¼
First Union Rlty	8⅜xd	+⅛
Fleet Finl Grp	29¾	+¼
Fleetwood Enterpr	33⅞	+⅛
Fleming Cos Oklah	28	–⅛
Florida Progress	32½	+⅛
Fluor Corp	43½xd	+⅛
Food Lion A	10	–¼
Food Lion B	10⅞	....
Ford Motor	36⅞	....
Foster Wheeler	29¼	–⅛
Freeport McMoran	19	+⅛
Fund American Ent	70½	....
GATX Corp	25⅛	+⅛
GEICO Corp	56½	+⅛
GTE Corp	34⅜	+⅛
Gallagher (AJ)	28⅝xd	....
Gannett	48½xd	–⅛
Gap Inc Del	30⅞	+⅝
Gencorp	10⅛	....
Gen Am Investors	28⅜	–⅛
Gen Cinema	27⅜	–⅜
Gen Dynamics	95½	+1¼
Gen Electric	76⅛xd	+1⅜
Gen Mills	67	+¼
Gen Motors	29⅝	–⅜
Gen Motors E	29⅜	–⅛
Gen Motors H	18	–⅛
Gen Public Utilit	27⅛	+¼
Gen Reinsurance	106½xd	+¼
Gen Signal	54⅞	+⅛
Genuine Parts	30⅜	....
Georgia Pac	52¼	+2⅛
Gerber Products	33⅜	+¼
Gillette	56¾	–¼
Glaxo ADR	25¾xd	–⅝
Golden West Finl	38¼	+⅜
Goodrich (BF)	40⅞	+½
Goodyear Tire	62⅞	+⅛
Grace (W&R)	34⅜	–½
Grainger (WW)	52½	+⅞
Great Atl Pac Tea	22⅝	....
Great Western Finl	13⅜	+⅛
Grow Group	12⅜	–⅛
Grumman Corp	20¼	+⅛
Gulf States Utl	16⅜	–⅛
Halliburton	32	+¼
Hanna (M A)	24⅝	–¼
Harnischfeger	16½xd	–⅛
Harris Corp	30¾	+¼
Harsco Corp	30⅞	–⅜
Hartmax	3.87	....
Hasbro	32⅛	+¼
Hecla Mining	7⅜	+⅛
Heinz (HJ)	38⅝xd	+⅝
Helmerich & Payne	25¾	–⅛
Hercules	57¼	+½
Hershey Foods	46⅛	+⅛
Hewlett Packard	54⅞xd	+⅜
Hilton Hotels	43⅜	–¼
Hitachi ADR	62¼	–⅝
Home Depot	55¼	+⅞
Homestake	12½	–⅛
Honeywell	63	+⅜
Hormel (Geo)	19⅝	–⅛
Household Intl	47½xd	....
Houston Inds	43¾	....
Humana	22¾	–⅛
IP Timberland	27	+⅜
ITT Corp	65⅝	–⅜
Illinois Power	21	–⅜
Illinois Tool	64½	+⅞
ICI ADR	69½	–2¼
Imcera Group	32¾xd	....
INCO	21½	+⅜
Ingersoll Rand	28	–¼
Inland Steel	16⅞	+⅛
Intel Corp	63⅛	–⅝
Intergraph	13	....
Interlake	3.62	–0.38
IBM	70¾	–2⅛
Intl Family Ent B	10⅛	–¼
Intl Flav & Fr	105xd	+⅜
Intl Multifoods	27⅛xd	+⅛
Intl Paper	63⅛	+1⅝
Interpublic	30	....
InterTAN	12	....
James River Va	17⅞xd	–⅛
Jefferson Pilot	38	–¼
Johnson Controls	41	+¼
Johnson & Johnson	48⅜	–¼
K Mart	24¾	+⅛
Kellogg	71¾	+¾
Kennametal	27⅜	+¼
Kerr-McGee	41¾	....
KeyCorp	33½xd	+½
Kimberly-Clark	51¼	+⅞
King World Prods	25⅛	–½
Knight-Ridder	55⅝	+⅝
Kroger	11⅝	+⅛
LSI Logic	6¼	+¼
Legget & Platt	24½	....
Leucadia Natl	63¾	–½
Lilly (Eli)	60⅛	–⅛
Limited Inc	22¾	+⅝
LIN Broadcasting	71	+¼
Lincoln Nat	65⅛	+¼
Litton	40¾	+¼
Liz Claiborne	40	+⅛
Lockheed Corp	47⅛	+⅜
Loews Corp	113⅜	–2⅛
Lone Star	3.50	....
Long Island Light	24⅝	+⅜
Longs Drug Stores	34⅝	–¼
Loral Corporation	41	+⅜
Lotus Dev Corp	17½	+1
Louisiana Land	36¾	+⅛
Louisiana Pacific	50⅛	+1⅛
Lowe's Co Inc	18⅛	+½
Lubrizol	26⅞	–⅛
MA Comm Inc	4.50	....
MCI Common	35¾	+⅜
Mac Frugals Bargain	12⅝	+¼
Manor Care	19½	+⅛
Manville Corp	8	....
Mapco Inc	56⅞	–⅛
Marion Merrell	24⅞xd	–½
Marriott	18¾	....
Marsh & McLennan	89¼	+⅝
Martin Marietta	57½	–¼
Masco Corp	23¼	....
Massmutual Corp	28⅛	....
Mattel Inc	23	–½
Maxus Energy	6⅞	....
May Dept St	65	....
Maytag Corp	13⅜	+⅛
McCaw Cellular	24	+⅛
McDermott	22⅛	–½
McDonalds	42⅝	....
McDonnell Douglas	43	+1
McGraw Hill	59⅛	–⅛
McKesson Corp	39⅜	....
Mead Corp	36⅞	+⅛
Medtronic	96⅞	+1⅛
Mellon Bk	44⅞	+⅜
Melville Corp	48¼	+⅛
Mentor Graphics	6⅛	....
Mercantile Stores	29⅜	–⅜
Merck Inc	42⅞	–⅜
Meredith Corp	23	+½
Merrill Lynch	51¾	–¼
Mesa Inc	10⅜	....
Microsoft	85⅛	+⅝
Millipore	31½xd	+1⅛
Mine Safety Appl	41	....
Minnesota Mine	98⅞	–½
Mobil Corp	62	–⅜
Molex Inc	35¼xd	....
Monarch Machtool	10	....
Monsanto	52½	+½
Morgan (JP)	62⅛xd	+¼
Morgan Stanley	46⅜	–⅜
Morrison-Knudsen	19¼	+¼
Morton Intl	54⅝	–⅛
Motorola Inc	94	+1½
Multimedia Inc	25¼	+½
Murphy Oil	35	+⅜
Nacco Inds	34¼	....
Nalco Chemical	31	....
Nashua Corp	22⅜	–⅛
NationsBank	43⅝	+⅝
Natl City Corp	43⅝	–⅛
Natl Intergroup	11⅞	–⅛
Natl Medical Ent	9⅝	–¼
Natl Semiconductors	11⅞	–⅛
Natl Service Ind	25½xd	+⅛
NatWest Bank	34½	–½
Navistar Int	1.87	+0.13
NBD Bancorp	29⅞	+¼
Network Systems	12⅜	–¼
Neutrogena Corp	23½	+½
New England Elec	35	....
NY State El&Gas	31¾	–⅛
NY Times A	25	+¼
Newmont Mining	46	+⅜
Niag Mohawk	19¼	....
Nicor Inc	47⅛xd	+1¼
Nike B	78⅛	–¼
NL Industries	5⅛xd	+¼
Noble Affiliates	18⅞	....
Nordstrom	33	+2
Norfolk Southern	57¼	+⅞
Northeast Util	26	+⅛
Nthn State Power	42⅜	+⅛
Northrop	23½	–⅛
Norwest Corp	39⅛	....
Novo Inds ADR	90½	....
Nynex Corp	85⅛xd	+⅜
Occidental Pet	17	–¼
Ogden Corp	17½	+¼
Ohio Casualty	62¾	–¼
Ohio Edison	22¼	–⅛
Olin Corp	40	+¼
Omnicom Group Inc	36⅝	+½
Oneok Inc	16¾	–¼
Oracle Systems	20¾	+¼
Oryx Energy Co	23⅝	–⅛
Oshkosh B'gosh A	22½	+¼
Outboard Marine	16	+¼
Overseas Ship	14⅛	+⅛
Owens Corning	29	–1⅛
PHH Corp	37¾	+⅛
PNC Financial	52½	–⅜
PPG Industries	56⅜	+1⅝
PSI Hldgs	18⅝	....
Paccar Inc	52½	+1¼
Pacificorp	23	+⅛
Pac Enterprises	18⅞	+⅛
Pac Gas & Elect	31⅞	....
Pac Telecom	25¾	+⅜
Pac Telesis	43	–⅞
PaineWebber	17⅜	–⅛
Pall Corp	27½	+⅝
Panhandle Eastern	19¾	....
Paramount Commun	44¾	+¼
Parker Drilling	5⅜	....
Parker Hannifin	26¼	–¼
Penn Central	18¾xd	–⅜
Penney (JC)	72¾	+1⅞
Pennsyl Pwr & Lt	27	–⅛
Pennzoil	55⅛	+1
People's Energy	31½xd	+¼
Pepsico	39⅞	+⅜
Perkin Elmer	29½	....
Petrie Stores	21⅞	–⅜
Pfizer	73½	–⅝
Phelps Dodge	44	+⅞
Philadel Elec	26⅛	+⅛
Philip Morris	77	–2¾
Phillips Pet	25⅜	+⅜
Phillips-Van Hsn	25¾	+⅝
Pinnacle West Cap	20⅜	+⅜
Pioneer Hi Bred	25¼xd	+¼
Pitney Bowes	35⅛	+¼
Pittston	11⅞	+⅜
Polaroid	29⅞	–⅛
Policy Mgt Sys	73½	–⅛
Potlatch Corp	45½	+⅝
Potomac El Pwr	25⅜	–⅜
Praxair	15⅛	....
Premier Indl	35½xd	+¼
Price Co	32½	–¼
Primark Corp	11⅜	+¼
Primerica	42½	+½
Procter & Gamble	50⅞	+⅛
Promus Cos Inc	38½	+¼
Provident Life B	27¼	....
Pub Serv E & G	28⅜	–⅛
Puget Sound Power	26½	....
Quaker Oats	63⅞xd	–⅛
Quanex Corp	17⅜	+⅞
Quantum Chemical	13¾	+¼
RJR Nabisco	8¼	–⅛
Ralston Purina	41¾	–⅞
Rank Organisn ADR	8⅞	....
Raychem Corp	36¾	+⅝
Raytheon	42⅝	....
Reebok Intl	28⅝	–¼
Reynolds & Reyn A	42⅜	–¼
Reynolds Metals	47⅞	....
Rite Aid Corp	22⅞	+⅛
Roadway Services	61¾	+1
Rochester Gas&El	23⅜	....
Rockwell Intl	26⅞	+⅝
Rohm & Haas	54¾	–½
Rohr Industries	10⅜	–¼
Rollins Inc	32¼	....
Rouse	13⅜	+¼
Rowan	9	–⅛
Royal Dutch	86¼	–1⅛
Rubbermaid	31½	....
Ruddick	16⅛xd	–⅛
Russell Corp	31⅝	+½
Ryder System	22⅛	....
Rymer Co	1.37	....
SPS Technology	20⅜xd	–½
Safeco Corp	51⅞	–⅜
Safety-Kleen	29⅜	–¼
St Paul's Cos	72½xd	+⅜
Salomon Inc	37½xd	....
San Diego Gas&El	24⅛	....
Santa Fe S Pac	12	+⅜
Sara Lee Corp	57⅜	–½
Scecorp	44⅞	+¼
Schering Plough	60	–½
Schlumberger	67¾	–⅛
Scientific Atlanta	27⅜	+⅛
Scott Paper	36⅞	+⅜
Scripps-Howard	44⅜	–1¼
Sea Containers	13⅜	....
Seagate Tech	15⅝	+¼
Seagram	25½	....
Sealed Power	19½	+⅞
Sears Roebuck	42⅛	+½
Sequa A	36	–¼
Service Corp Int	17⅛	....
Service Master	26	+¼
Shared Medical	21¼xd	–⅛
Shell Trans	53⅝	–⅜
Sherwin Williams	28⅜	+⅜
Shoney's Inc	18⅞	+⅛
Sigma Aldrich	51¼	–¼
Skyline Corp	17⅜	....
Smith Intl	9⅝	–⅛
SmKline Bchm A	41⅜	–2⅛
SmKline Bchm Eq Uts	36¼	–2¼
Snap-On-Tools	28½	–½
Sonat	41	+¼
Sonoco Products	44¼	+½
Sony Corp ADR	33¾xd	–⅛
Southdown	9⅝	–⅛
Southern Co	37⅝	+⅛
Sthn New Eng Tel	34⅜xd	–⅛
Southwest Airlines	24⅞	+⅛
Southwestern Bell	68½	....
Spring Inds	31⅞	–⅜
Sprint Corp	24½	+⅛
Stand Brnds Paint	1	....
Standard Products	25⅛	+⅛
Stanley Works	36⅜	–⅛
Storage Technol	24⅛	+1⅛
Stratus Computer	36⅞	–⅜
Sun Company	23⅞	....
Sundstrand	34⅜	+1⅛
Sun Microsystems	28⅞	+⅝
Sunshine Mining	0.75	....
Suntrust	38⅝	....
Supervalu	27⅝	+⅞
Syntex Corp	26⅛	–½
Sysco Corp	24⅞	+¼
T J X Cos Inc	25⅛	+⅝
TRW Inc	50	+⅛
Tambrands	62¼	....
Tandem Computers	11½	+⅛
Tandy Corp	26⅝	+½
Tektronix	20¼	....
Telecom Corp	1.12	+0.13
Teledyne	17⅝	+⅛
Telmex ADR	46½	+1⅛
Temple Inland	46⅜	+1⅜
Tenneco	35¼	+⅜
Tesoro Pet	3.12	–0.25
Texaco	61⅞	–½
Texas Instruments	44⅞	–½
Texas Utilities	41⅜	–⅛
Textron	36	....
Thiokol	15⅜	–⅝
Thomas & Betts	66½	+¼
Tidewater	19⅝	+¼
Time Warner	22½	....
Times-Mirror	29⅝	–⅛
Timken	24½	+¼
Torchmark	50⅝	+⅛
Tosco Corp	18¾xd	+⅛
Total Pet N Am	5	–⅛
Toys R Us	35⅛	–⅛
Transamerica	43¾	–⅛
Transco Energy	14⅞	+⅜
Travelers Corp	22⅜	–⅝
Tribune	44⅜	+⅝
Tri Continental	24xd	–¼
Trinity Inc Del	31½	–¼
TRINOVA Corp	20⅝	–⅛
Triton Energy	37⅞	+⅛
Tyco Labs	35¾	+⅞
Tyler	4.37	+0.13
Tyson Foods	20¼	+⅛
UAL Corp	116⅝	+2⅝
USG Corp	0.69	....
UST Inc	32	+¼
USX Marathon	16	–¼
USX-US Steel	23⅛	....
Unilever NV	110½	–1¾
Union Camp	43	+⅞
Union Carbide	13	–⅛
Union Electric	37	–⅛
Union Pacific	52⅝	–¼
Unisys Corp	8⅝	–¼
USAIR Group	11⅞	+¼
USF&G Corp	10⅛	+⅛
US Home	0.56	–0.06
US Life	44⅜	–½
US Shoe	10⅝	–¼
US Surgical	65	+1
US Trust	46½	–½
US West	38⅝	+⅜
United Technology	47	+½
Unocal Corp	25½	+⅛
Upjohn	30⅞	–⅝
VF Corp	47⅜	+⅝
Valero Energy	22⅞	–⅞
Varian Associates	34¼	+¼
Varity Corp	20	–⅜
Vornado	34¼	+⅜
Vulcan Materials	40¼	+⅛
Wachovia	60⅛	–⅛
Walnoco Oil	3.75	....
Walgreen	39	+⅛
Wal-Mart Stores	59⅛	+⅝
Wang Labs B	0.44	–0.06
Warner-Lambert	66	–¼
Washingt Gas Light	37⅝	–⅜
Washingt Post B	236¼	–1
Waste Mgmnt Inc	36⅞xd	+⅛
Watkins-Johnson	9¼	+⅛
Weis Markets	24⅜	–⅛
Wellcome ADR	15⅜	+⅛
Wells Fargo	63xd	+¼
Wendy's Intl	12⅝	–⅛
West N America	5⅜	....
Western Publ	23	....
Westinghouse El	11¾	–1½
Westvaco	36⅛	+⅜
Weyerhaeuser	34⅜	+1
Whirlpool	36⅜	+½
Whitman	12½	+⅜
Willamette Ind	31¼	–⅜
Williams Cos	35¼	–⅛
Winn Dixie Stores	67½	+⅛
Wisconsin Elec Pwr	26⅜	....
Woolworth	32⅝	+½
Worthington Ind	19⅝	+⅛
Wrigley (Wm) Jr	33½	+½
Xerox	77⅞	+¼
Yellow Freight Sys	24⅛	+¼
Zenith Electronics	5¼	....
Zero Co	11⅛	–⅛

CANADA
(3 pm)

October 16	Can. $	+ or –
Abitibi	14⅛	....
Agnico Eagle	5⅜	....
Air Canada	2.96	–0.04
Alberta Energy	15¼	+⅛
Alberta Nat Gas	13¼	....
Alcan Aluminum	19⅞	+⅜
Amer Barrick Res	37¼	+⅜
BCE Inc	42½	–⅝
Bank of Montreal	44¼	....
Bank Nova Scotia	22¼xd	....
Bombardier B	10⅞	–½
Bow Valley	10⅜	....
BP Canada Res	14¾	....
Bramalea	0.49	–0.08
Brascan A	17⅛	....
Breakwater Res	0.31	+0.01
Brit Columbia Tel	20¼	+⅛
Bruncor Inc	19¼xd	+⅛
CAE Ind	5½xd	+⅛
CT Financial	19	....
Cambior	10¼	+⅜
Cambridge Shop C	13⅛	–⅜
Cameco	15¼xd	–⅛
Can Imp Bank	27¼xd	–⅛
Can Occidental	27⅞	–⅛
Can Pacific	15xd	....
Can Tire A	15⅜	–⅛
Can Utilities A	21⅝	–⅛
CanFor	24⅜	....
Central Capital	0.07	....
Cineplex Odeon	2.50	–0.05
Cominco	18⅝	–⅜
Consumers Pack	0.87	+0.02
Coscan Dev	4.30	....
CrownX	2.50	....
Denison Mines A	0.22	....
Dofasco	8⅞	+¼
Dominion Textile	6	....
Domtar	5⅞	+⅛
Du Pont Can A	41	+⅛
Echo Bay Mines	6⅞	....
Emco	4.25	....
FPI Ltd	3.15	....
Four Season Hotels	18	....
Galactic Res	0.10	....
Gendis Inds A	17½xd	....
Gulf Canada Res	5⅛	+⅛
Hawker Sidd Can	20⅜	....
Hees Intl Bancorp	10¼	–⅛
Hollinger Inc	11⅜	....
Horsham Corp	10	....
Hudson's Bay Co	26¼	....
Imasco	37	–⅛
Imperial Oil	43½	+⅛
Inco	26⅞	+⅜
Int Murex Tech	7	–⅛
Interprov Pipe	24⅜	....
Jannock	12⅜	–⅛
Kerr-Addison Mines	18⅜	....
Labatt	26⅞xd	....
Lac Minerals	8	+⅛
Laidlaw Trans A	9⅞	+⅛
Laidlaw Trans B	9⅜	+⅛
Laurentian	5⅛	....
Lawson Mardon A	9⅜	–⅛
Loblaw Comp	17	....
Maclean Hunter	11⅜	....
Macmillan Bloedel	15⅞	–⅜
Magna Intl A	26xd	+⅜
Maple Leaf Fds	13⅜	+⅛
Maritime T'graph	21⅝xd	–⅜
Metall Mining	13	–⅛
Minnova	16⅝	....
Mitel Corp	1.95	+0.05
Molson Cos A	29¼	–¼
Moore Corp	17⅞	–¼
Natl Bk Canada	7¾xd	+⅛
Natl Sea Products	2.30	....
Noma Ind A	5¼	–⅜
Noranda Mines	18⅝	+¼
Norcen Energy	21⅜	....
Northern Telecom	38½	–¼
Nova	8⅛	....
Nowsco Well Serv	8⅝	+⅛
Numac Oil & Gas	5¼	+⅜
Oshawa A	22	....
PWA Corp	2.15	–0.08
Pagurian A	3.50	–0.10
Pan Can Pet	28	....
Placer Dome	14½	+⅜
Power Corp	14½	....
Quebec Tele	17¼	....
Ranger Oil	8⅜	....
Reed Stenhouse	32	+¼
Repap Ent	3.20	....
Rio Algom	15⅞	....
Royal Bnk Canada	23	....
Royal Trust	5⅜	....
St Lawrence Cem A	7½	–¼
Sceptre Res	0.37	–0.03
Scotts Hosp	12¼	....
Seagram	31¼	–¼
Sears Canada Inc	6⅜	....
Shell Canada A	38⅝	....
SHL Systemhouse	8¾	....
Southam	15½	....
Spar Aerospace	15⅝xd	+⅛
Stelco A	1.70	....
Teck Corp B	19⅜	+¼
Thomson Corp	12⅞xd	+¼
Toronto Dom Bk	17½xd	....
Total Pet N Am	6⅛	....
Transalta	13⅜	–⅛
Trans Can Pipe	17¾xd	–⅛
Trimac	8½	....
Trizec A	3.25	....
United Dominion	10⅞	+⅛
Univa	7⅛	+⅛
Westcoast Energy	16⅜	+⅛
Weston (George)	33¼	+¼

AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FINLAND / FRANCE / JAPAN / GERMANY / ITALY / NETHERLANDS / NORWAY / SPAIN / SWEDEN / SWITZERLAND / SOUTH AFRICA / AUSTRALIA / HONG KONG / MALAYSIA / SINGAPORE

[illegible]

INDICES

NEW YORK

DOW JONES	Oct 15	Oct 14	Oct 13	Oct 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3174.68	3195.48	3201.42	3174.41	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.50	102.47	102.46	102.45	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1260.65	1252.59	1251.18	1229.02	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.70	216.95	216.83	216.39	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3207.37 (3225.74) Low 3179.81 (3167.11) (Theoretical) ♦
Day's High 3198.18 (3217.09) Low 3167.38 (3179.00) (Actual) ♦

STANDARD AND POOR'S

	Oct 15	Oct 14	Oct 13	Oct 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	409.60	409.37	409.30	407.44	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	479.32	479.26	479.05	476.68	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	35.66	35.61	35.65	35.61	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	225.54	225.39	225.31	224.28	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	365.63	366.17	366.83	365.98	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	578.64	576.22	576.44	573.84	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 9	Oct 2	Sep 25	year ago (approx.)
Dow Industrial Div. Yield	3.31	3.24	3.19	3.10

	Oct 7	Sep 30	Sep 23	year ago (approx.)
S & P Industrial div. yield	2.76	2.80	2.70	2.69
S & P Indl P/E ratio	26.77	26.45	27.40	21.44

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Philip Morris	10,943,100	79⅞	- 4⅛
IBM	8,327,500	73⅛	- 4⅞
RJR Nabisco	4,520,800	8⅜	- ¼
Chrysler	3,409,000	24⅛	+ 1
West Elec	3,079,000	13	- 1¼
Chicorp	2,875,800	15	+ ¼
Merck	2,434,700	43⅞	+ ⅛
Coca Cola	2,175,700	39½	+ 1
US Surgical	1,745,200	64	- ⅝
Compaq Comp	1,627,900	38⅛	+ 1⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 15	Oct 14	Oct 13
New York SE	206.990	175.440	184.130
Amex	11.095	10.223	10.224
NASDAQ	173.779	175.695	167.564
NYSE			
Issues Traded	2,339	2,338	2,321
Rises	882	804	1,022
Falls	817	882	706
Unchanged	641	562	594
New Highs	46	31	33
New Lows	43	48	45

CANADA

TORONTO	Oct 15	Oct 14	Oct 13	Oct 12	1992 HIGH	1992 LOW
Metals & Minerals	2603.82	2608.64	2643.36	(c)	3238.87 (16/1)	2603.82 (15/10)
Composite	3196.14	3195.40	3214.90	(c)	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1663.16	1663.16	1678.78	(c)	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¤ Corrected figure.

	Oct 16	Oct 15	Oct 14	Oct 13	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1419.8	1439.0	1453.8	1456.9	1684.50 (22/5)	1419.80 (16/10)
All Mining (1/1/80)	597.2	608.1	616.2	620.0	726.80 (3/7)	597.20 (16/10)
AUSTRIA						
Credit Aktien (30/12/84)	322.99	321.57	320.74	320.66	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	783.01	779.70	778.73	778.67	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1094.45	1091.79	1096.41	1099.84	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	255.43	254.40	255.35	255.99	365.29 (15/1)	254.40 (15/10)
FINLAND						
HEX General (28/12/90)	622.1	610.6	606.7	606.4	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	445.95	447.30	451.40	450.81	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1664.18	1650.02	1667.93	1685.09	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	579.95	578.14	578.09	576.86	725.26 (26/5)	566.61 (12/10)
Commerzbank (1/12/53)	1636.90	1631.80	1630.6	1628.1	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1461.61	1453.43	1458.53	1465.50	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	5985.33	5913.64	5806.77	5756.10	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1100.02	1103.88	1109.48	1116.83	1469.57 (17/1)	1100.02 (16/10)
ITALY						
Banca Com. Ital. (1972)	417.70	409.15	404.76	394.28	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	822.0	806.0	799.0	778.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17369.81	17628.49	17344.03	17490.67	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1313.27	1326.65	1318.90	1320.24	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1710.35	1707.01	1699.96	1693.99	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	608.05	607.38	606.56	605.13	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tot.Rtn.Gen.(End 1983)	285.5	285.3	286.6	287.6	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	192.5	192.4	193.2	193.9	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	585.44	579.89	592.42	593.90	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1371.11	1368.34	1386.81	1398.56	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	354.45	355.14	355.12	354.74	416.99 (21/1)	354.03 (12/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	784.0‡	782.0	814.0	806.0	1327.00 (21/1)	782.00 (15/10)
JSE Industrial (28/9/78)	3939.0‡	3946.0	4085.0	4015.0	4689.00 (4/6)	3939.00 (16/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	518.91	521.85	524.96	514.39	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	193.96	191.18	191.65	192.69	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	661.60	662.30	674.9	675.8	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	839.3	837.3	843.4	844.9	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	634.7	633.4	636.8	638.1	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3707.18	3729.02	3633.22	3602.96	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangok SET (30/4/75)	871.58	871.66	879.65	868.68	886.34 (9/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	489.3*	492.5	491.2	490.8	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	806.33	802.61	810.05	815.40	976.55 (25/5)	772.52 (5/10)

**Saturday October 10: Taiwan Weighted Price: (c), Korea Comp Ex. 525.77 *Calculated at 15.00 GMT.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

AMERICA

Hangover in top stocks hits equities again

Wall Street

FURTHER declines in IBM and Philip Morris continued to depress US share prices yesterday morning, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial was down 27.56 at 3,147.12. The declines in secondary indices were less severe. The more broadly based Standard & Poor's 500 was down 1.52 at 408.08, while the Amex composite was up 0.40 at 366.03 and the Nasdaq composite down 0.03 at 578.61. Turnover on the NYSE was 127m shares by 1 pm. Declines outpaced rises by 883 to 640.

The economic fundamentals remained bearish. The day's economic news – an unexpected widening in the trade deficit and a 0.2 per decline in September industrial production – did little to aid sentiment. The market was also troubled by another rise in bond yields, which was spurred by renewed concern among fixed-income investors about the fiscal policies of a Clinton administration.

The story of the day, however, remained the weakness in IBM and Philip Morris which, along with Westinghouse (which also fell sharply), accounted for most of the losses on the Dow.

IBM ran into heavy selling from the outset, plunging to new lows for the year as the negative reaction to the company's third quarter performance intensified. By early afternoon IBM had fallen $3¼ to $69⅝ in turnover of 3.6m shares.

Philip Morris suffered under a stampede of sellers, dropping $3⅝ to $76⅝ in turnover of 7.4m shares, although there were signs of buying support when the shares reached $75⅝. The stock has been sold on disappointing news about domestic cigarette sales.

Westinghouse was also a feature, falling $1⅞ to $11⅝ in turnover of 3.8m shares on concern that problems at the company's credit unit could continue to affect earnings.

TRC fell $1⅞ to $12 after the company reported fiscal first quarter profits of 16 cents a share, a modest improvement on the 15 cents a share earned a year ago but some way below analysts' expectations.

Cray Research fell $2¼ to $20½ on the news that the company plans to cut 65 jobs, resulting in a one-off $40m charge to fourth quarter earnings.

On the Nasdaq market, Apple rose $2¾ to $48¼ in turnover of 2.3m shares in the wake of a 23 per cent surge in fiscal fourth quarter profits to 81 cents a share. The company also reported strong sales of its PowerBook notebook computers, and announced plans for an aggressive new product release schedule for the coming fiscal year.

Everex Systems dropped $¼ to $1 after the company estimated it would report a loss of $35m in the fourth quarter which ended in early August and revealed that it was in violation of some loan agreements.

Canada

TORONTO stocks were lower at midday with the composite index falling 17.26 to 3,189.43 in volume of 13.4m shares.

Among active stocks, Royal Bank of Canada was steady at C$23, Canadian Pacific was unchanged at C$15 while Northern Telecom fell C$⅛ to C$38⅝ and Canadian Imperial Bank fell C$¼ to C$27⅛. BCE was off C$⅜ at C$42⅝.

SOUTH AFRICA

BLUE chips edged higher, helped by the UK rate cut and short-covering ahead of the weekend. The overall index rose 6 to 2,931, but was 4.8 per cent down on the week. Industrials lost 7 to 3,939 while golds rose 2 to 784.

Milan's recent rise perplexes the analysts

Haig Simonian asks whether this is the start of a long-awaited recovery, or just a technical rebound

A big question mark is keeping Italy's equity analysts and investors awake at nights. Does this week's sharp recovery in the Milan stock market signal the long-awaited turning point after its long decline or is it just a technical rebound?

"More mileage in Milan?," asks Ms Marie-Christine Keith of County NatWest in London, in her latest market briefing. The consensus among analysts is that the latest surge in share prices, which saw the Comit index jump by 20.13 points or 5.1 per cent to 417.70 this week, is largely technical, supported by a smattering of special situations.

But a few brokers believe that the climb could turn into a stampede if sentiment among Italian investors swings in favour of equities.

The main reason for the scepticism is that fundamentals remain very poor. "Judging by the surge in prices, you'd think Italy had turned the corner," says Ms Keith.

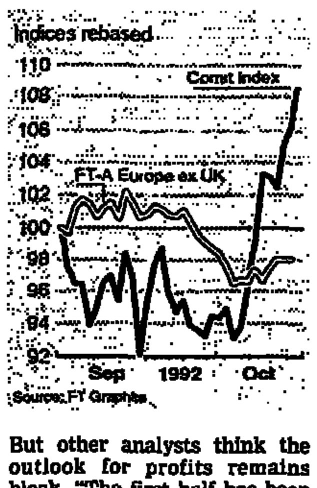
This week saw some parliamentary progress on the government's 1993 budget plans, while there was only a lukewarm response to the general strike called by union leaders.

But the Italian economy is hardly out of the woods.

Even assuming that the budget is approved by the end of next month, the prime minister, Mr Giuliano Amato, will remain on a knife edge. His successful use of confidence motions to pass legislation has shown that members of parliament are unwilling to topple the government. But with a majority of just 16 seats in the lower house, his coalition remains at risk.

Short-term interest rates have edged down, raising expectations of a cut in the Bank of Italy's discount rate. However, the Bank will not want to risk a run on the lira, and analysts do not expect a reduction before the budget is passed. Long-term interest rates remain high, reflecting continuing concerns about currency risk and rising inflation.

Devaluation will help some companies' earnings next year. Mr Massimo Cenci, of the Milan brokers Milla-Sommariva, thinks that the market has not paid enough attention to the potential boost. One leading bank estimates that gross operating profits should rise by 20 per cent in 1993 thanks to the currency's fall.



But other analysts think the outlook for profits remains bleak. "The first half has been awful and we know what to expect for the year," says one.

Mr Sergio Pigoli, of Pastorino in Milan, is particularly bearish about the overall economic outlook. He admits that devaluation will help a handful of companies such as Benetton and Eridania, which produce partly outside Italy, and are heavy exporters. Insurers with strong foreign earnings such as Ras and Generali also stand to gain.

However, higher inflation on account of the devaluation, high interest rates and a slowing economy will have a "dramatic effect" on corporate earnings next year, he says. Combined with the new tax on companies' shareholders' funds, there will be a "drastic cut" in profits.

Why then has the market risen so strongly? The cause is partly technical. Though turnover went up, especially in mid-week, the previous low volumes have exaggerated the climb in prices. Moreover, many professionals have been short of stock. "Until recently, the market was oversold," says Mr Pigoli.

Milan has also regained some of the speculative fizz that evaporated over the summer, when negative news like Moody's decision to downgrade the state's credit rating and the bungled handling of the Efim liquidation seriously undermined the country's credibility.

Since then, the market has received a fillip from privatisation news and plans to suspend capital gains tax for one year. Speculative trading is most active in privatisation stocks, notably Credito Italiano and Nuovo Pignone. Yesterday, shares in Credito Italiano were suspended for an excessive price rise of 9.3 per cent, following news late on Thursday that its parent Iri would hold a competitive, international auction for the sale of a stake in the bank.

Apart from real or imagined privatisation candidates, Milan's "special situations" also include a host of private-sector companies in which investors expect a change in ownership.

Fiat tops the list. The admission by its chairman, Mr Gianni Agnelli, that the company may have to sell non-strategic holdings, such as Rinascente, the department stores group, Toro, the insurance company or the Cogefar-Impresit construction concern has powered a surge in their share prices.

Fiat's stock has also risen on the back of perpetual rumours about a deal with a Japanese car maker, Toyota being the name which crops up the most. Though regularly denied by all concerned, such gossip has pushed Fiat's share price up by 6.3 per cent this week.

Other stocks in the spotlight include Banco Ambrosiano Veneto, Italy's biggest private-sector bank. Confirmation that two of the five members of its shareholders' pact want to sell has fuelled speculation about a possible takeover. Questions have also been raised about the future of Grassetto, the construction group controlled by Mr Salvatore Ligresti, the Sicilian property tycoon still languishing in a Milanese jail on alleged corruption charges.

However, few analysts believe that speculation is enough to keep the market rising. "It's not yet a real turnround," says Mr Michael Ierubino, of Milan broker Murchio. "All we've seen is a return of domestic bargain-hunters based partly on bullish views about the suspension of capital gains tax."

Ms Keith agrees. "There will be a consolidation since the the market has gone up too far, too fast," she says.

Rather than expecting the bourse to fall back to last month's most depressed levels, analysts believe that shares will give up only part of their recent gains. After all, foreign buyers may still be cautious, but Italian equities have now become even cheaper in foreign currency terms thanks to the lira's fall.

EUROPE

UK base rate cut fails to lift continental bourses

NEWS of a further cut in interest rates in the UK failed to enliven continental bourses, *writes Our Markets Staff.*

FRANKFURT traded quietly as options expired, the DAX index rising 8.18 to 1,461.61, up 1.5 per cent on the week.

In carmakers, where downgradings have been rife recently, Daimler led with a DM5.50 gain at DM528 but BMW got more comment with a rise of DM4.50 to DM458.50 as BZW put the stock on its "buy" recommendation list after four weeks of relative underperformance.

RWE, in utilities, closed DM4 higher at DM383.50, helped by Thursday's DM1 rise in its dividend. But in engineers, where the industry association was gloomy in statements both on Thursday and yesterday, MAN dropped DM8 to DM250 after news of a big fall in its order book inflow.

FT-SE Actuaries Share Indices

October 16								THE EUROPEAN SERIES
Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	994.01	995.35	995.46	996.51	995.82	994.96	996.07	996.54
FT-SE Eurotrack 200	1066.47	1066.72	1067.37	1070.21	1067.61	1065.75	1066.34	1066.23

	Oct 15	Oct 14	Oct 13	Oct 12	Oct 9
FT-SE Eurotrack 100	986.39	992.09	999.62	984.55	987.08
FT-SE Eurotrack 200	1061.28	1074.77	1085.38	1069.79	1070.52

Base value 1000 (26/10/90) High/day: 100 - 997.50 ; 200 - 1071.31 Low/day: 100 - 992.79 200 - 1063.25

PARIS rose to the day's highs on the back of the UK rate cut but reports, quickly denied, that President François Mitterrand had been taken ill and a poor start on Wall Street took it to the day's lows just before the close. The CAC-40 finally ended up 14.16 at 1,664.18 after a high of 1,683.73 and a low of 1,650.64, in improved turnover of FFr1.9bn.

Euro Disney fell another FFr4.70 or 6.3 per cent to FFr69.75 on selling by UK traders following a negative report in a UK newspaper and a statement from Euro Disney's chairman that remarks about help from Walt Disney had been taken out of context.

Moulinex dropped another FFr9.35, or 10.4 per cent to FFr80.65 as analysts decided that the company's real first-half loss was nearer FFr50m than the FFr11m reported late on Thursday and reduced their earnings forecasts accordingly. Dealers reported heaving selling from UK fund managers who had large positions in the stock.

STOCKHOLM eased in thin trading and the Affärsvärlden General index fell 0.7 to 661.6, down just under 2 per cent on the week, in turnover of SKr282m after SKr364m.

B shares in Modo dropped SKr17 or 17 per cent to SKr83 after the forestry group revealed an eight-month pre-tax loss of SKr811m. Trelleborg's eight-month pre-tax profit fall of 98 per cent to SKr11m was in line with expectations, and the B shares eased SKr0.50 to SKr49.

BRUSSELS was supported by interest rate-sensitive shares but Petrofina weighed heavily on the market. Petrofina dropped as low as BFr7,470 on a series of negative news reports before closing down BFr130 at BFr7,600. The Bel20 index rose 2.66 to 1,094.45, little changed on the week.

ZURICH was prepared to go higher but a weaker Wall Street opening brought the SMI index off its highs to close up 5.5 at 1,883.5, a fraction better on the week. MADRID's rise on the day, 2.78 to 193.96 in the general index, restored what it had lost earlier in the week.

AMSTERDAM ended mixed in thin trading, as selling from the options market and Wall Street pulled some share prices down. The CBS Tendency index fell 0.6 to 105.5, down 2.1 per cent on the week.

HELSINKI bought on the bad news, and on lower domestic interest rates, the Hex index rising 11.4 to 622.1, up 2.3 per cent on the week. The banks and finance index was up 6.4 per cent on the day after several banks reported large interim losses on Thursday.

VIENNA's ATX index gained 3.31 to 783.01, up less than 1 per cent on the week. The expiry of October futures and options contracts enlivened the market.

ASIA PACIFIC

Nikkei loses ground in low volume

Tokyo

AN overnight fall on Wall Street and diminished hopes of a co-ordinated interest rate cuts by Germany, US and Japan, depressed investors, *writes Emiko Terazono in Tokyo.*

Share prices lost ground on late index-linked selling and the Nikkei average fell 258.68 to 17,369.81, but was 1.8 per cent higher on the week. The index rose to the day's high of 17,617.15 on buying by public funds, but saw a low of 17,300.50 in late trading on a fall in the futures market.

Volume rose to 220m shares from 192m. Losers led gainers by 601 to 316 with 181 unchanged. The Topix index of all first section stocks fell 13.38 to 1,313.27 and, in London, the ISE/Nikkei 50 index rose just 0.03 to 1,055.53.

Mr Peter Tasker, strategist at Kleinwort Benson, said that the recent low volume reflected the view that share prices are too high for aggressive buying, with the outlook on the economy still weak. On the other hand, with public funds waiting to buy at the lower end, investors are wary of selling heavily.

High-technology issues were depressed on weak IBM earnings overnight. NEC plunged Y19 to Y706 and Hitachi lost Y14 to Y748. Pioneer Electronic fell Y180 to Y2,870 on rumours of sharply lower interim earnings than originally expected.

China-related stocks were active ahead of the Emperor Akihito's visit to China on October 23. Yaohan Japan, the retail chain, rose Y70 to Y1,450 and Bandai, the toy maker, gained Y40 to Y2,650.

Profit-taking pushed down pharmaceutical and chemical issues, which have been popular on the Aids and Interferon themes. Inabata fell Y20 to Y1,140 and Green Cross declined to Y30 to Y1,530.

Leading large capital issues which were previously bought on speculation of buying by public funds, fell on profit taking. Mitsubishi Heavy Industries lost Y11 to Y563 and Kawasaki Steel fell Y1 to Y295.

In Osaka, the OSE average fell 78.83 to 19,071.33 in volume of 10.5m shares.

Roundup

THERE was only one serious winner in the region yesterday.

HONG KONG attacked the 6,000 level again, but pulled back on profit-taking to close with the Hang Seng index 71.69 higher at 5,985.33, 6.9 per cent higher on the week.

Aggressive rotational buying by overseas institutions swept up property and utility laggards including Cheung Kong and Hongkong Telecom, which rose by 3.3 per cent and 3.5 per cent respectively.

AUSTRALIA continued its week-long fall, the All Ordinaries index closing 19.3 lower at 1,419.8, its lowest close since March 1991, and 3.2 per cent lower on the week. Turnover was at the highest level of the week, with A$270m worth of shares traded.

NEW ZEALAND ended marginally lower the NZSE-40 index ending 3.92 down at 1,373.95 in turnover of $18m.

Lion Nathan, a star performer over most of this year, ended 11 cents down at NZ$4.20. Its exposure to the Australian economy, an increasingly bitter legal wrangle over its purchase of National Brewing from ACIL and rumours of an earnings downgrade by one New Zealand broker were blamed.

TAIWAN finished lower but financials were up on moderate buying in three state-run commercial banks. The weighted index closed 21.84 lower at 3,707.18, but up 2.3 per cent on the week, in turnover of T$18.8bn after T$23.4bn.

BOMBAY's brokers went back to a trading boycott after more than 200 tax officials raided the offices of over 20 brokers, because of their suspected involvement in Bombay's stocks and securities scandal.

They said that they had stopped trading because they were not sure whether deals would be honoured. On Thursday, the BSE had registered its fourth consecutive decline, closing 19.18 lower at 3,086.45.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 15 1992								WEDNESDAY OCTOBER 14 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	121.53	−1.1	105.89	92.37	91.46	111.99	−0.9	4.35	122.90	106.59	94.00	93.45	113.01	153.68	121.53	156.26
Austria (19)	154.77	+0.7	134.85	117.64	116.47	116.62	−0.1	2.42	153.74	133.33	117.59	116.90	116.73	186.70	139.27	162.74
Belgium (42)	141.77	+0.2	123.53	107.76	106.69	104.54	−0.5	5.89	141.48	122.70	108.20	107.57	105.02	152.27	135.87	128.47
Canada (114)	112.97	+0.0	98.44	85.87	85.01	102.13	−0.1	3.46	112.99	97.99	86.42	85.91	102.19	142.12	112.97	139.68
Denmark (33)	198.46	+0.6	172.92	150.85	149.35	151.02	−0.3	1.89	197.30	171.11	150.91	150.02	151.48	273.94	193.54	246.79
Finland (15)	58.88	+1.5	51.30	44.76	44.31	57.27	+1.5	2.46	58.03	50.33	44.39	44.12	56.45	89.80	52.84	85.35
France (101)	149.20	−0.1	130.00	113.40	112.27	115.14	−1.0	3.92	149.37	129.54	114.24	113.56	116.33	168.75	146.54	139.48
Germany (64)	110.33	+0.9	96.14	83.87	83.03	83.03	−0.2	2.76	109.39	94.87	83.68	83.17	83.17	129.69	106.62	104.13
Hong Kong (53)	245.32	+1.8	213.76	186.47	184.62	243.38	+1.7	3.66	241.08	209.08	184.39	183.31	239.27	259.55	176.36	165.57
Ireland (16)	136.26	−0.1	118.73	103.57	102.54	105.93	−0.8	5.12	136.34	118.24	104.28	103.66	106.76	173.71	135.29	158.66
Italy (77)	56.75	+1.8	49.45	43.14	42.71	54.36	+1.1	3.82	55.72	48.32	42.62	42.37	53.74	80.86	47.47	70.10
Japan (472)	110.24	+1.3	96.06	83.80	82.97	83.80	+0.6	1.02	108.86	94.41	83.26	82.78	83.26	140.95	87.27	141.75
Malaysia (69)	251.19	−0.1	218.88	190.93	189.03	242.10	−0.2	2.70	251.50	218.12	192.36	191.22	242.54	251.50	212.49	196.16
Mexico (18)	1319.35	+0.6	1149.61	1002.87	992.88	4491.98	+0.6	1.34	1311.39	1137.33	1003.03	997.12	4464.88	1789.77	1185.84	1307.86
Netherland (25)	162.57	+0.5	141.65	123.57	122.34	121.02	−0.4	4.68	161.81	140.33	123.76	123.04	121.56	169.70	147.88	140.12
New Zealand (14)	39.61	−1.0	34.51	30.11	29.81	38.75	−0.9	5.84	40.01	34.70	30.60	30.42	39.09	48.52	39.34	47.14
Norway (22)	136.76	−1.9	119.16	103.95	102.92	109.98	−2.5	2.20	139.39	120.89	106.62	105.99	112.81	192.95	136.04	185.87
Singapore (38)	184.80	−0.5	161.02	140.47	139.07	136.73	−0.8	2.41	185.80	161.14	142.11	141.27	137.85	229.63	180.71	191.48
South Africa (60)	151.70	+0.6	132.18	115.31	114.16	140.95	−2.4	3.62	150.83	130.81	115.36	114.68	144.43	263.60	144.29	248.18
Spain (46)	112.70	+0.3	98.20	85.66	84.81	88.58	−0.4	6.75	112.39	97.47	85.97	85.46	88.89	161.72	110.05	150.58
Sweden (31)	154.57	−0.9	134.68	117.49	116.32	125.05	−1.8	3.14	155.98	135.28	119.31	118.60	127.06	200.26	149.69	178.72
Switzerland (60)	116.05	+0.2	101.12	88.21	87.34	93.02	−0.6	2.30	115.79	100.42	88.57	88.06	93.61	122.37	95.99	93.70
United Kingdom (228)	171.17	−1.6	149.15	130.10	128.81	149.15	−1.2	4.91	173.98	150.89	133.08	132.28	150.89	200.07	164.88	177.38
USA (522)	167.29	+0.0	145.77	127.17	125.90	167.29	+0.0	3.04	167.26	145.05	127.93	127.18	167.26	173.39	160.92	159.24
Europe (781)	138.08	−0.5	120.32	104.96	103.92	112.41	−0.8	4.18	138.71	120.30	106.10	105.47	113.27	156.88	135.66	138.34
Nordic (101)	144.49	−0.6	125.90	109.83	108.74	110.44	−1.2	2.67	145.20	125.93	111.06	110.40	111.80	188.52	141.24	177.45
Pacific Basin (714)	114.59	+1.1	99.84	87.10	86.23	89.04	+0.6	1.36	113.30	98.26	86.66	86.15	88.51	141.97	93.70	142.14
Euro-Pacific (1495)	124.09	+0.4	108.13	94.32	93.38	98.58	+0.0	2.63	123.58	107.18	94.51	93.96	98.60	145.21	113.80	140.98
North America (636)	163.91	+0.0	142.83	124.61	123.38	162.86	+0.0	3.06	163.88	142.13	125.36	124.63	162.83	170.49	158.70	157.95
Europe Ex. UK (553)	118.01	+0.4	102.83	89.72	88.83	92.27	−0.5	3.68	117.54	101.94	89.92	89.39	92.70	132.98	115.41	115.31
Pacific Ex. Japan (242)	157.21	+0.2	136.99	119.52	118.32	141.84	+0.3	3.74	156.84	136.02	119.98	119.26	141.46	175.31	149.00	145.97
World Ex. US (1687)	124.70	+0.4	108.66	94.79	93.85	100.28	−0.1	2.66	124.19	107.71	95.00	94.43	100.33	146.91	116.18	142.77
World Ex. UK (1981)	134.98	+0.5	117.61	102.60	101.59	118.05	+0.1	2.56	134.34	116.51	102.76	102.15	117.91	150.68	127.21	144.38
World Ex. So. Af. (2149)	138.13	+0.2	120.36	105.01	103.96	120.62	+0.0	2.81	137.79	119.50	105.40	104.78	120.62	153.05	130.04	146.60
World Ex. Japan (1737)	154.19	−0.1	134.35	117.21	116.05	142.20	−0.3	3.48	154.38	133.89	118.09	117.40	142.57	165.40	151.93	151.60
The World Index (2209)	138.12	+0.2	120.35	104.99	103.95	120.85	+0.0	2.81	137.77	119.48	105.38	104.76	120.88	153.70	130.66	147.26

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 8¼pc 1993		[illegible]	[illegible]	[illegible]	[illegible]	8.24	7.86
10pc 1993‡‡		[illegible]	[illegible]	[illegible]	[illegible]	9.80	7.56
12½pc 1993‡‡		[illegible]	[illegible]	[illegible]	[illegible]	12.07	7.30

Five to Fifteen Years

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
Exch 15pc 1997		127¼	+1½	127¼	117½	11.74	8.17
9¾pc 1998		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.81
Treas 6¾pc 1995-98‡‡		[illegible]	[illegible]	[illegible]	[illegible]	7.09	7.58
15½pc '98‡‡		[illegible]	[illegible]	[illegible]	[illegible]	11.65	8.32
Exch 12pc 1998		118xd	[illegible]	118	[illegible]	10.17	8.18
Treas 9½pc 1999‡‡		[illegible]	+2	[illegible]	[illegible]	8.88	7.93
Exch 12¼pc 1999		[illegible]	[illegible]	[illegible]	[illegible]	10.24	8.24
Treas 10½pc 1999		[illegible]	[illegible]	[illegible]	[illegible]	9.37	8.09

BRITISH FUNDS - Cont.

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
Conversion 10¼pc 1999		[illegible]	[illegible]	[illegible]	[illegible]	9.22	8.13
9pc 2000‡‡		[illegible]	[illegible]	[illegible]	[illegible]	8.55	8.03
Treas 13pc 2000		[illegible]	[illegible]	[illegible]	[illegible]	10.45	8.60
10pc 2001		[illegible]	[illegible]	[illegible]	[illegible]	9.12	8.35

Undated

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
Consols 4pc		[illegible]	[illegible]	[illegible]	[illegible]	9.34	–
War Loan 3½pc‡‡		[illegible]	[illegible]	[illegible]	[illegible]	9.17	–
Conv 3½pc '61 Aft		[illegible]	[illegible]	[illegible]	59	5.89	–
Treas 3pc '66 Aft		[illegible]	[illegible]	[illegible]	[illegible]	9.98	–
Consols 2½pc		[illegible]	[illegible]	[illegible]	[illegible]	8.97	–
Treas. 2½pc		[illegible]	[illegible]	[illegible]	[illegible]	9.07	–

BRITISH FUNDS - Cont.

Index – Linked

	Notes	Price £	+or -	1992 high	1992 low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	130xd	[illegible]	130	122⅛	1.14	2.87
2pc '96	(67.9)	[illegible]	[illegible]	[illegible]	[illegible]	2.45	3.19
4⅝pc '98	(135.3)	[illegible]	[illegible]	[illegible]	[illegible]	3.21	3.73

OTHER FIXED INTEREST

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
Asian Dev 10¼pc 2009		[illegible]	+1	[illegible]	[illegible]	9.82	9.44
B'ham 11½pc 2012		[illegible]	–	[illegible]	[illegible]	10.58	10.40
Ireland Cap 8½pc '10		98	+2	[illegible]	[illegible]	8.67	–
9pc Cap 1996		101	+1	[illegible]	90	8.91	–
13pc '97-02		115	+2	[illegible]	[illegible]	11.30	–
Hydro Quebec 15pc 2011		[illegible]	[illegible]	[illegible]	[illegible]	10.89	10.48
Leeds 13½pc 2006		[illegible]	–	[illegible]	[illegible]	11.04	10.42
Liverpool 3½pc Irred		[illegible]	–	34	30	11.02	–
LCC 3pc '20 Aft		[illegible]	–	[illegible]	27	10.08	–
Manchester 11½pc 2007		[illegible]	–	[illegible]	[illegible]	10.62	10.40
Met. Wtr. 3pc 'B'		[illegible]	–	82	53	4.94	8.80
N'wide Anglia 3⅞pc 2021		[illegible]	–	[illegible]	[illegible]	–	5.11
4¼pc IL 2024		[illegible]	–	[illegible]	[illegible]	–	4.89
Utd Mex States 16½pc 2008		125	–	125	121½	13.20	12.73

EDUCATION

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs.......h	17½xd	+⅜	18⅞	14⅝	14,761	2.0
ψAllegheny & W.	420p	+22	420p	228p	218.3	4.2
Amdahl	480p	-8	1169p	455p	539.9	1.2
Amer Cyanamid	32½	+1	37	28⅝	2,932	3.0
Amer Express	12¼xd	+⅜	13⅞	10⅞	5,789	4.9
Amer T & T	24[illegible]xd	+⅛	25[illegible]	20⅛	33,184	3.1
Ameritech	40½	+⅛	40½	32½	17,732	5.1
BankAmerica	24[illegible]xd	+⅜	27⅛	18[illegible]	4,892	3.1
Bankers NY	38[illegible]xd	+⅞	38[illegible]	28⅞	3,885	4.3
Bell Atlantic	28½	+⅞	28½	23⅛	12,304	5.3
BellSouth	31⅞	+1⅛	32⅞	25	15,593	5.1
ψBethlehem Steel	8¼xd	-⅛	9⅝	6⅛	505.4	-
Bowater	1160pxd	+35	1578p	805p	398.7	6.4
CPC.......h	27[illegible]xd	-⅛	28⅞	22⅛	4,117	2.6
ψCadiz Land Inc	180p	-20	342p	108p	-	-
California Engy	780p	+11	880p	591p	148.8	-
Chase Manhattan	12⅞xd	+⅛	18½	9⅛	1,822	5.4
Chrysler	14⅛xd	+⅜	14⅞	8⅛	4,280	2.4
Citicorp	8⅞xd	+⅛	11⅛	5⅞	3,227	-
Colgate-Palm	34[illegible]xd	-2[illegible]	37⅛	25⅞	5,489	2.1
Cont'l Bank	980p	+18	1036p	490p	1,008	3.5
Dana	21⅛xd	-⅛	24½	14⅞	880.0	4.4
Data General	713p	+85	1084p	384p	198.7	-
ψDecora Inds	102p	-14	122p	88p	-	-
Dun & Brad	34⅞	+1⅛	34⅞	27⅞	6,222	3.8
Eaton	43⅛	-½	46½	32½	1,497	3.0
Echlin	11⅝xd	+⅜	11⅞	7⅞	666.6	3.5
FPL	21½xd	+⅞	21½	17[illegible]	3,883	6.6
Fluor	26¼xd	+⅛	27	19¼	2,800	0.9
Ford Motor	22xd	+⅛	28⅞	15	10,726	2.7
Gen Elect	44⅝xd	+[illegible]	48⅞	36⅛	38,123	3.1
ψGeneral Host	680p	+3	572p	360p	-	3.7
Gillette	32[illegible]xd	+⅜	34⅞	23[illegible]	7,445	1.2
Hasbro	18	—	19⅝	12⅞	1,849	0.8
Honeywell	37¼	+⅛	43	32	2,579	2.6
Houston Inds	28¼	+1½	28¼	22	3,399	6.7
IBM	43⅞xd	-2⅛	64½	42⅞	24,758	6.6
Ingersoll-Rand	16⅞	-⅞	19[illegible]	12[illegible]	1,758	2.4

BUILDING MATERIALS - Cont.

Notes	Price	+ or -	1992 high	low	Mkt Cap£m
Tarmac	74xd	+3	181	51	599.8
Tilon.......†	132	—	178	85	14.8
Travis Perkins	121xd	—	228	105	123.8
Tudor.......‡	35	—	38	31	3.07
Unigroup	12	—	24	8½	3.52
Ward Group.......‡	68	—	81	62	16.0
Waterhouse	34	—	43	23	6.95
Wickes	75	+1	104	53	217.3
Wolseley.......$	335	+4	479	287	782.8

BUSINESS SERVICES

Notes	Price	+ or -	1992 high	low	Mkt Cap£m
ADT $	395	+2	593	343	484.9
Adam & Harvey	208	—	246	193	8.90
Air London	68	—	127	68	6.01
African Lakes	37	—	63	34	2.54
Auto'ted Sec.......†	126	+1	152	81	141.9
BET.......$g	97	+2	208	87	900.8
BNB Res.	61	-1	100	45	12.5
BPP.......$†	203	—	283	208	66.6
Barbour Index	220	—	280	178	30.5
Boustead	13	-2	38½	13	11.1
Bridgend	20	—	33	20	6.87
Brit Data Mangt.......L	133	—	165	111	30.9
Brooks Service.......‡	78	—	101	68	4.47
CRT	88	-1	142	88	46.8
Capita.......†	300	—	422	282	64.1
Castel	32½	—	34	19	26.9
Chiltern Capital AS	42	—	278	25½	35.9
Christie Group	25	—	88	24	5.86
Cornac	25	-1	43	24	1.60
Corp Servs	7½	—	31	7	2.23
Dart	98	—	123	86	8.84
Davis Service	181	+1	218	145	181.8
EW Fact.......†	90xd	—	115	90	4.83
Gardiner	11½	—	87	11	12.3

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv		157½	+2½	175	147	3.8	208.2	16.3
Warrants		26	+1	38	21	–	–	–
Scot Mortgage		155	+2	167	135	3.4	185.4	16.3
Scot National Inc		72	+½	107	65¼	18.4	–	–
Cap		28	+4	42	12½	–	–	–
Stepped Pf		147¾	+3½	147¾	126	6.6	–	–
Zero Dw Pf		190½	+1	190½	165½	–	–	–
Warrants		4½	–	9	3	–	–	–
Scot Value		51	–	64	49	3.8	60.7	0.5
Sec Alliance		1100	+11	1200	1006	4.1	1293.2	14.8
Second Market	s	247	–	247	222	8.5	296.8	12.0
Sec Tst Scot		66	–	75½	61	6.8	71.2	7.3
Select Assets		91	+1	102½	78½	1.8	137.6	33.9
Eq Ind Sed		110xd	+1	129	106	4.9	–	–
Eq Ind Serll		110xd	+1	122	105	4.9	–	–
SHIRESCOT		97	+1	98	96	–	97.4	1.3
Shires		194	+1	249	168	12.6	203.7	5.0
11pc Cv Ln '03/04		£109½	+1	£119½	£95½	10.6	–	–
Siam Select		85	+4	97	66	8.4	119.1	29.0
Warrants		11	+1	21	10	–	–	–
Smaller Cos		66	–	85	65	6.1	76.3	14.2
Warrants		13	–1	28	10	–	–	–
Somerset Tst		114	–	148	55	–	84.9	–34.3
Sphere Inc		12	–	28	9½	34.4	17.6	34.5
Zero Dw Pf		71¼	+1	77¼	63¾	–	–	–
Somit		32	–	55	30	5.2	92.6	65.5
TR City of Lon		109½	+½	127½	97½	5.9	111.0	1.6
TR Euro Growth		75	–	90	70	2.4	96.2	22.0
Ptg Sub		33	–	54	33	5.5	–	–
TR Far East Inc		97	+1	97	76	6.8	113.3	14.8
Warrants		18	+1	22	12	–	–	–
TR High Inc		97xd	–	110	91	8.2	98.8	1.8
Sub	g	22	–	35	21	9.1	–	–
TR Pacific		90	+1	99	70	0.4	102.0	12.2

MEDIA - Cont.

	Notes	Price	+ or -
Ulster TV		287	–
Utd News		439xd	–3
VTR		45	–
WPP		36	–
Warrants		3	–
Watmoughs		450	–1
Yorkshire Tyne-T		130	–1

MERCHANT BANKS

	Notes	Price	+ or -
Ansbacher (H)		29	–
Sangs 8pc Cn 2nd Pf		88½	–½
9¾pc Non-Cum Pd		118¾	+1
Close Bros		222	–
Hambros		223	+1
7½pc Cv Pf		195	–
Joseph (L)		380	–
Kleinwort Benson		294	+2
Rea Bros		35	+4
Schroders		1300xd	–10
N/V		1100xd	–10
Singer & Fried		39	–
Warburg (SG)		495	–7
6pc Cv Pf		173½	–
Wintrust		203	–

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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FINANCIAL TIMES
Weekend October 17/October 18 1992

Mine equipment makers fear 120,000 job losses

By Michael Cassell, Business Correspondent

THE FALL-OUT from this week's pit closure announcement spread yesterday with a warning from colliery equipment manufacturers that up to 120,000 additional jobs could quickly be lost in the wake of the British Coal decision.

Coal industry suppliers expressed astonishment at the imminence of the closures which they said had thrown business plans into chaos and threatened widespread redundancy.

Some companies said British Coal had already cancelled orders and was trying to stop other orders which had been despatched by suppliers.

The Association of British Mining Equipment Companies said the closure decision threatened tens of thousands of jobs among its own members and within associated industries.

Mr Bill Morrell, director general of Abmec, said member companies, with a combined turnover of £900m a year, were "absolutely appalled" at the pit closures.

Companies had been supplying a declining coal industry and many, as a result, had reduced their dependency on the sector. But the decision would still be catastrophic: "It has taken our breath away," he added.

Mining equipment manufacturers around the country yesterday warned of reduced capacity and skills which would damage export opportunities.

Many doubted that the remaining pits would still provide new orders as modern, state-of-the-art equipment would be shifted from closed collieries.

British Coal's central stocking system meant that the company already held extensive supplies.

Mr Adrian Parsons, managing director of Century Oils Group, which supplies fire-resistant hydraulic fluids and gear box lubricants to British Coal, said the prospect of a 50 per cent cut in sales next year meant certain job cuts.

Mr Philip Kellett, company secretary of Morley Electrical Engineering, the West Yorkshire-based company which supplies industrial motors to British Coal, said the pit closures would have meant collapse for the company if it had not diversified into new products and markets.

Mr David Hind, technical director of Senior Davis Derby, which supplies signalling and monitoring equipment to British Coal, said the workforce was "shattered" at the decision.

The company, which employed about 600 people 10 years ago, now has 170 employees. Mr Hind said the pit closures inevitably meant further job losses.

He added: "The miners who are about to lose their jobs will at least benefit from some comparatively generous redundancy payments. But people in supplier industries who are about to lose their jobs will not be so fortunate."

Mr Adrian Buckmaster, chairman and chief executive of MECO International, a Worcester-based maker of conveyor systems, said his company had already made 500 UK workers redundant since last summer. There would be no immediate job cuts but the outlook depended on investment plans for those pits which remained.

Pit closure hearings to take place before first lay-offs

By John Mason

THE LEGALITY of British Coal's pit closure programme will be fought out in a series of hearings to be hurried through the courts before next Friday when the corporation is due to issue its first redundancy notices to more than 5,000 mineworkers.

A timetable for the hearings – which will take place alongside mounting public campaigns and a parliamentary debate on the proposed closures – was set after British Coal announced in the High Court yesterday that no redundancy notices would be issued for another week.

The National Union of Mineworkers and Nacods, the pit deputies union, which are bringing the main action against British Coal, said the announcement was "an enormous and significant concession".

"This means a further week will go by during which the men will still have jobs," Mr Mark Stephens, the unions' solicitor, said after the hearing.

However, British Coal denied that it had conceded any ground, insisting it had always intended to issue notices next Friday and that the pit closures would go ahead as planned.

"British Coal wishes to make it clear that the closure programme continues and that there is no legal basis to stop it," Mr Charles Falconer QC told the court.

The unions claim that British Coal has failed to comply with European and UK law and the colliery review procedure in not consulting its workforce before implementing the closures.

The case will be heard in the High Court on Tuesday. Whatever the result of the hearing, it is certain to be referred to the Court of Appeal for a second judgment before Friday.

In a separate case, the Union of Democratic Mineworkers won leave to seek a judicial review of British Coal's decision to close seven Nottinghamshire pits and one in Derbyshire.

Mr Justice Roch ruled that the union had an arguable case on the basis that British Coal's action was allegedly unreasonable, irrational and disproportionate and that proper consultation procedures had not been followed.

The UDM case will be heard after that brought by the NUM.

● Mr Roy Lynk, the UDM's president, yesterday continued an underground sit-in at the Silverhill colliery in Nottinghamshire in protest at the planned closures. Two Tory MPs who tried to visit him, Mr Winston Churchill and Mrs Elizabeth Peacock, were prevented from going down the mine by British Coal.

THE LEX COLUMN

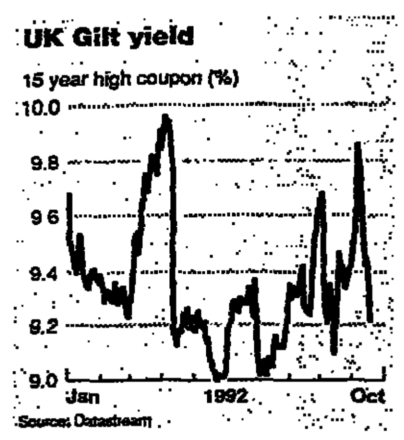
Lamont cedes a point

Yesterday's 1 point cut in base rates can be summed up as the right decision for the wrong reason. As recently as Monday, when sterling closed at DM2.5125, the chancellor promised to take the exchange rate into account when setting monetary policy. When he cut rates yesterday, it was some five pfennigs lower. The decision smacks of political pressure. The satisfaction the equity market might have taken is offset by the realisation that policy has become as unpredictable as the government's relationship with its own backbenchers.

Moreover, it is doubtful whether a low interest rate policy can be sustained without serious damage to sterling. Euro-sterling rates have not fallen below their D-Mark equivalent since the spring of 1981. During the following autumn base rates were raised from 12 to 16 per cent. That pattern need not be repeated this time because the government may be resigned to sterling weakness, and because German rates should be falling next year. But it still suggests there is a limit to any further cuts.

One explanation for the equity market's lukewarm response is that currency risk will deter overseas investors at a time when UK institutions are pretty fully invested in shares. A weaker currency may also prompt the government to bear down even more heavily on public spending and the PSBR which would be bad for growth. Perhaps it is because recovery prospects are still so bleak that the gilts market sailed through yesterday with such ease. Yet currency risk is as much a cause for concern in gilts as it is in equities.

FT-SE Index: 2563.9 (+17.3)



RHM/Hanson

It is peculiar that RHM managed a gain of only 2 per cent yesterday after announcing a demerger designed to unlock shareholder value from its brands. If there were that much value to be unlocked, then presumably the shares would have risen much more. The company's supporters may argue that the small rise reflected profit-taking by speculators who are not prepared to hold on for a long ride. Maybe there is also now less risk of the shares falling back towards last month's low of 135p if Hanson walks away. But the decision to unbundle is a tacit admission that there is little prospect of a rival bid for the group as a whole. It does not put Hanson under any particular pressure.

RHM was always going to have to make some effort to persuade Hanson to increase its 220p offer. Demergers can sometimes tip the balance against a bid – as was the case with last year's Williams' bid for Racal – but it is unlikely to do so in this case. The theory is that existing shareholders rather than Hanson would benefit from the valuation premium on change of control. But the demerger plan is still only in outline form. Who knows what the individual companies will be worth once it is complete?

One cannot judge all brands by the 25 times multiple Philip Morris is paying for Freia Marabou or the 23 times Campbells Soup is offering for Arnotts of Australia. RHM does own a few strong names such as Sharwood's, but most are national brands. Many have seen better days. It is hard to imagine Bisto or Atora suet taking the European single market by storm. Unless buyers are found for the demerged units, the brands will be managed by the same people who have been in charge so far. Hanson may well have to increase its offer but not by much before it will pay shareholders to take the cash and run.

UK gilts

Government borrowing figures released yesterday confirm that public sector finances are in a mess. Not too much can be read into the sharp increase in expenditure during September, since this is a volatile figure. More worrying for the gilts market are signs that the recessionary squeeze on revenue is accelerating: income tax receipts were sharply lower last month, reflecting falls in employment. It is surprising that gilts should treat this news with such equanimity.

Deepening gloom about the prospects for growth and equities may be an explanation, prompting institutions to switch into bonds. Interesting, though, that long gilts should rise again after yesterday's base rate cut. The continued demand for index-linked gilts – evidenced by yesterday's £400m issue – certainly suggests the market retains a healthy degree of scepticism about the chancellor's promise to bear down on inflation.

Without firm action to bring the PSBR under control, the gilts market may find its optimism impossible to maintain. PSBR forecasts of more than £40bn next year may be premature, but funding on anywhere near this scale would place upward pressure on yields. The government may conclude that higher long gilt yields are a small price to pay for the political advantage of lower mortgage rates. A deficit of perhaps 6 per cent of gross domestic product would be easy to fund if the markets had confidence in the government and in sterling. Both commodities are in short supply.

Japanese banks

The Japanese authorities have good reason to study the 1974 British secondary banking crisis. As with Britain's property collapse then, it is Japan's smaller banks which are first in the firing line. Yesterday Ugo and Akita Akebono banks merged after a slump in Akita's profits. More mergers are sure to follow, particularly among weaker trust and regional banks.

The government's reluctance to finance a bailout is understandable given public opposition. Yet it seems unlikely the private sector lifeboat under construction will prove equal to the task. Even by reasonably conservative estimates, the banks have Y30,000bn (£148bn) of bad property loans. They cannot afford to write off that amount over the next few years.

Perhaps tax relief may be given on bad loans put into the lifeboat, and the Bank of Japan may indirectly make money available at preferential rates. This would help, but only rapid economic growth or a strong stock market would generate the profits banks need to repair the damage. Neither is likely. The economy is still in trouble as yesterday's industrial production figures underline, and August's economic package may be of limited help. It may take the imminent prospect of bank failures to break the consensus against government intervention.

Goodness Gotham, it's your chance to be caped crusader

By Michiyo Nakamoto

VIDEO game enthusiasts will soon be able to put themselves in Batman's shoes to exchange blows with the Penguin or cuddle with Catwoman. Or they could choose to make a music video using film footage of popular rock musicians.

Sega, the Japanese electronic games manufacturer, this week unveiled a compact disc-based video games system which will allow users to interact with characters in Hollywood films as well as with popular bands on video.

The system is the first to bring realistic, digitised video film games to the consumer market.

The videos and films Sega will incorporate into its new games will initially come from the libraries of Hollywood studios, such as Warner Brothers, and music video publishers, including Sony Electronic Publishing, with which the company simultaneously announced a strategic alliance to develop CD-based games.

"Up to this point video games have been animated characters. Sega CD allows players to control real actors. It's like being in a movie theatre and controlling the actors on the screen," says Mr Doug Glen, group marketing director.

Sega has also set up a multimedia studio in Redwood City, California, and is filming a game alongside Steven Spielberg, on the set of his film *Jurassic Park*. The game will be launched at the same time as the film.

Video games are increasingly expected to be based on CDs, which offer better sound quality, graphics and greater storage capacity and manipulating power than the games cartridges currently in use.

Nintendo, Sega's main competitor, announced this week it would launch a CD-based games system in the US and Japan in August 1993. Philips, the Dutch consumer electronics group, offers CD-based video games on its interactive CD-I machine.

Sega will launch its system in the US next month at a suggested retail price of $299 (£173.80).

Digital's bright dawn, Page 11

Lighter moment: During the second debate President Bush (foreground) amuses rivals Mr Ross Perot (left) and Mr Bill Clinton, who remains ahead in the polls US election, Page 3

Interest rate

Continued from Page 1

The timing of the announcement – three days after the Bank had signalled that imminent interest rate cuts were unlikely – unsettled some investors. Reflecting this, the pound was initially marked down against the D-Mark on the foreign exchanges by 2 pfennigs to a low of DM2.438. It recovered slightly, closing in London at DM2.4475 for a loss of 1½ pfennigs on the day.

Against the dollar, the pound lost more than 4 cents, closing at $1.6570.

On the London stock market, shares initially gained but fell back later, with the FT-SE 100 index of leading shares closing up 17.3, at 2,563.9, after at one point being 41 points ahead. Gilts closed up to a point higher.

EC openness pledge

Continued from Page 1

was "on the European train", everybody wanted to ratify Maastricht, and carry it out without changes. "The summit sends a message of confidence."

Mr Albert Reynolds, Irish prime minister, described Birmingham as a low-key but workmanlike summit. "The 12 agreed to press ahead with ratification. Those are the words I wanted to hear."

In a self-critical draft declaration, the 12 leaders pledged to make the EC more open, to respect national culture and traditions, to keep the public better informed, and to make clear that "citizenship of the union brings our citizens additional rights and protections without in any way taking the place of their national citizenship".

Mr Major told his EC partners: "Unless we have the people with us, our enterprise will not succeed. We need a clear declaration of political intent, with the promise of substance when we meet again in Edinburgh [in December]."

But efforts by the UK and Germany to curb the powers of the European Commission have all but foundered on an alliance between smaller member states who view the Commission as their guardian.

British attempts to press the Commission to agree automatically to consult national capitals before proposing legislation were diluted, according to the declaration which foresees decisions on new working practices at the next EC summit in December.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Aachen Mch	765	+	15
Douglas Hldgs	427	+	21
Metallgesell	299	+	9
Philips Kommun	535	+	13
Falls			
Fag Kugelfischer	126	–	14
Leifheit	374.5	–	10.5
New York ($)			
Rises			
Apple	46¼	+	2¾
Falls			
Cray Research	29½	–	2¼
IBM	69⅝	–	3¼
Philip Morris	76⅜	–	⅜
TRC	12	–	1⅞
Westinghouse	11⅜	–	1⅞
New York prices at 12.30pm			
Paris (FFrs)			
Rises			
Bancaire Cie	360.5	+	13
Fin Poliet	361.1	+	13.1
Paribas	309.5	+	15.5
Falls			
Gal Lafayette	1750	–	150
Gaumont (Soc N)	380	–	15
Legris	156	–	35.5
Tokyo (Yen)			
Rises			
Daiki Eng	525	+	30
JSP	933	+	53
Nippon Muki	503	+	31
Falls			
Myojo Foods	581	–	39
Nikken Chem	930	–	70
Nisseki Hse	562	–	40
London (Pence)			
Rises			
Blue Circle	133	+	6
HSBC	459	+	15
Haemocell	210	+	26
Lucas Inds	99	+	3½
North West Water	442	+	15
Owners Abroad	73	+	4
P & O Defd	396	+	17
RMC	413	+	19
Severn Trent	420	+	16
Volex	294	+	8
Wellcome	949	+	18
Falls			
Attwoods	106	–	7
Avonside	74	–	10
Barclays	317	–	21
Baris	53	–	3
Burmah Castrol	618	–	14
English China Clays	399	–	15
Enterprise Oil	408	–	15
Euro Disney	848	–	30
Guinness	527	–	15
ICI	1027	–	25
Lloyds Chemists	193	–	9
Thames TV	169	–	12

World Weather

UK Today: Some patchy rain. The south-east, East Anglia and the south-west will enjoy the best of any sunshine with isolated showers. Becoming cloudy later. Some snow on high ground in the north.

		°C	°F
Ajaccio	F	20	68
Algiers	F	25	77
Amsterdam	F	9	48
Athens	S	25	77
Bahrain	S	31	88
Barcelona	S	21	70
Beijing	S	21	70
Belfast	F	8	46
Belgrade	S	21	70
Berlin	C	8	46
Biarritz	R	13	55
Birmingham	F	7	45
Blackpool	F	7	45
Bombay	F	30	86
Bordeaux	F	12	54
Boulogne	S	10	50
Bristol	F	9	48
Brussels	F	8	46
Budapest	C	11	52
Buenos Aires		–	–
Cairo	S	31	88
Cape Town	F	17	63
Cardiff	F	9	48
Chicago †	F	6	43
Cologne	S	10	50
Copenhagen	F	6	43
Corfu	F	22	70
Dallas †	C	21	70
Dublin	S	8	46
Dubrovnik		–	–
Edinburgh	C	8	46
Faro	S	21	70
Florence	F	16	61
Frankfurt	F	8	46
Geneva	F	12	54
Gibraltar	C	20	68
Glasgow	F	7	45
Guernsey	F	10	50
Helsinki	R	4	39
Hong Kong	S	27	81
Innsbruck	R	7	45
Inverness	C	7	45
Isle of Man	S	8	46
Istanbul	S	21	70
Jersey	T	8	46
Johannesburg	S	27	81
Las Palmas	S	26	79
Leeds	C	8	46
Lisbon	C	18	64
Locarno	Dr	12	54
London	F	8	46
Los Angeles †	S	16	61
Luxembourg	C	5	41
Madeira	C	24	75
Madrid	Dr	15	59
Majorca	F	21	70
Malaga	R	16	61
Malta	S	26	79
Manchester	C	7	45
Melbourne	C	14	57
Mexico City		–	–
Miami †	S	25	77
Milan	C	12	54
Montreal †	C	6	43
Moscow	S	7	45
Munich	R	5	41
Nairobi	C	25	77
Naples	C	20	68
Nassau		–	–
Newcastle	R	6	43
New Delhi	S	31	88
New York †	C	17	63
Nice	S	19	66
Nicosia	S	25	77
Oporto	R	12	54
Oslo	C	1	34
Paris	S	10	50
Perth	F	18	64
Prague	F	9	48
Reykjavik	R	6	43
Rhodes	S	26	79
Rio d'Janeiro		–	–
Rome	R	18	64
Salzburg	R	5	41
S'Francisco †	C	14	57
Seoul	F	21	70
Singapore	F	30	86
Stockholm	F	6	43
Strasbourg	F	8	46
Sydney	S	26	79
Tangier	C	21	70
Tel Aviv	S	27	81
Tenerife	F	24	75
Tokyo	F	21	70
Toronto †	R	13	55
Tunis	F	29	84
Valencia	F	22	72
Vancouver †	C	7	45
Venice	C	15	59
Vienna	R	6	43
Warsaw	C	9	48
Washington †	S	16	61
Wellington	R	8	46
Zurich	C	4	39

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

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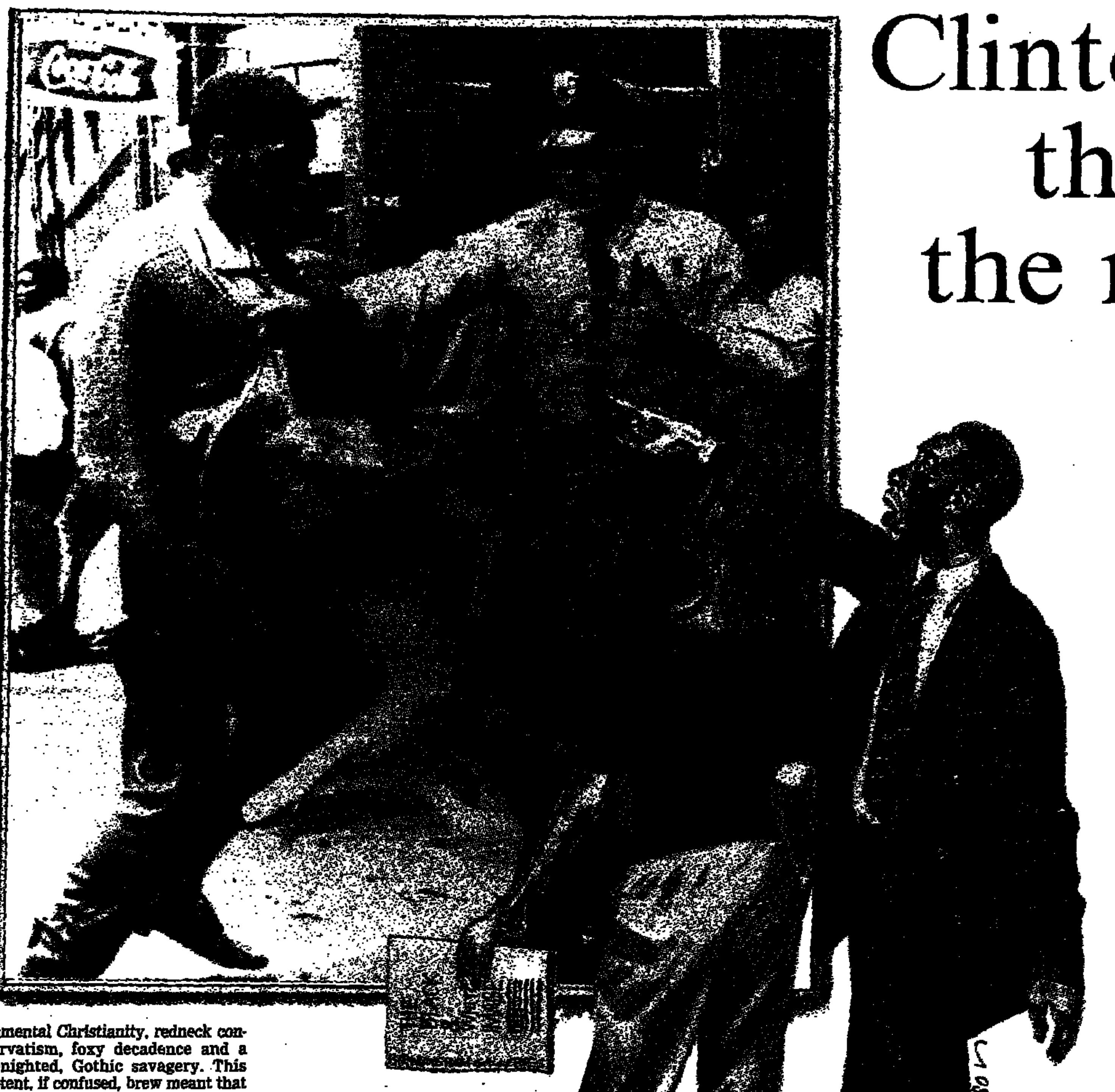
Weekend FT

SECTION II

Weekend October 17 / October 18 1992

Clinton country: the rise of the new South

Thirty years on from the Alabama race riots, America's blacks are prospering from the economic rebirth of the US southern states, reports ***Martin Dickson***



THE PHOTOGRAPH still has the power to shock and anger: it shows a white policeman, wearing sinister dark glasses, grasping a tall, well-dressed black youth by his shirt as the policeman's dog sinks its fangs into the boy's stomach. The picture – taken almost 30 years ago in Birmingham, Alabama, at the height of America's civil rights movement – was one of those perfectly composed images that linger in the imagination and help to define an era.

Its portrayal of naked white violence and passive black resistance was carried prominently on the front pages of newspapers around the world, symbolising the struggle by blacks throughout the American South for equal voting rights and an end to segregated facilities reminiscent of South Africa's apartheid. The scenes in Birmingham in that spring of 1963, where police turned dogs and water cannons on children protesting peacefully, also gave the steel manufacturing city an international stigma it has never shaken off entirely. Yet, a surprise awaits the visitor to Birmingham who, a generation on, still expects a grimy, industrial backwater of malevolent racism.

Race remains a strong political factor, notably in a long legal fight by white municipal unions to prevent positive job discrimination in favour of blacks by the city government. But a black mayor has run city hall since 1979 and, last month, the park in which the worst police violence took place was dedicated as part of a specially renovated civil rights memorial district. The city still makes steel, but most of its growth industries now are in high technology and the wooded hills that ripple away from the centre largely are free of industrial pollution. Birmingham has become a major medical centre, too; actress Jane Fonda, renowned for being politically correct, had a knee injury treated there recently.

You can get a good idea of its material wealth at the suburban Riverchase Galleria, a vast, glass-enclosed mall which houses the same predictable retailing names found in smart shopping centres across the continent: Benetton, Brooks Brothers, Laura Ashley – even Crabtree & Evelyn of London, "purveyors of fine toiletries to the gentry". Birmingham, in short, is a prime example of the new South, the term used to describe the economic, social and technological changes of the past 20 years which have turned parts of the southern US from provincial backwaters into some of the nation's fastest-growing communities.

These changes have been underlined by this year's presidential election campaign. The all-southern Democratic ticket of Bill Clinton (Arkansas) and Al Gore (Tennessee) would have been unthinkable a mere decade ago. To the rest of the US even then, the old South produced such conflicting images as slavery, sentimental *Gone With the Wind* romance, virulent racism and Ku Klux Klan cross-burnings, fundamental Christianity, redneck conservatism, foxy decadence and a benighted, Gothic savagery. This potent, if confused, brew meant that any southern presidential candidate had to be balanced by a vice-president from well beyond the 11 states that made up the civil war confederacy.

Admittedly, the Clinton-Gore team is not from the deepest South. Arkansas, with its tradition of small, independent farmers and hill folk, has as much in common with Texas (the adopted home of President Bush) as it does with the old plantation economies of Louisiana, Mississippi, Alabama, Georgia and the Carolinas. And Gore, brought up mainly in Washington DC, is about as southern as Kentucky Fried Chicken. But the ticket does show – as Jimmy Carter, America's most truly southern president to date, has pointed out – the degree to which the region has become more like the rest of America (and vice versa, judging from Clinton's policies which would not come amiss from a liberal Republican).

Yet, a huge gulf still separates the bustle and post-modern skyscrapers of Atlanta, the economic capital of the generally prosperous south-east, from the back roads of rural Mississippi, the nation's poorest state in per capita income. In the vast flatlands of the cotton growing Mississippi delta, you can still come across barefooted blacks and shanty homes that would not look out of place in Africa.

Undoubtedly, the single most remarkable change across the region is its improved race relations. The catalyst was the civil rights movement; this led to the passage, in the mid-1960s, of federal legislation which forced the white South to end segregation in public places and give blacks the vote. Schools, restaurants, toilets, and hotels became integrated. Black voters began propelling their own politicians into municipal positions of power.

The most encouraging example of racial tolerance now can be found in Atlanta, which has had black mayors since 1973. The city owes its prosperity, in part, to a realisation in the 1940s by its white business leaders that racial harmony was good for profits; hence its long-time slogan, "The City Too Busy to Hate". In the 1960s, it was the headquarters of the civil rights movement, and the fact that it desegregated before other southern centres encouraged many US companies to locate their regional headquarters there. Today, the city is run by a cosy alliance of black politicians and white businessmen.

Atlanta has long had a sizeable black middle class and America's highest concentration of black higher education centres. Over the past decade or so, it has become a magnet for ambitious blacks from across the nation, making it the clearest example of a remarkable phenomenon: blacks whose parents and grand-parents fled north earlier this century in search of a better life are now drifting back. The reasons are several: job opportunities, a desire to rediscover roots, and an escape from the stark racial polarisation and inner city ghettoes of many northern centres.

Teresa Roseborough, a rising young star at the prominent Atlanta law firm of Sutherland, Asbill & Brennan, is typical. Born in the mid-west and educated at universities in the upper South, she could have had her pick of law firms across the US after serving on the Supreme Court staff in Washington. She explains that one reason she chose Atlanta was because of its greater career opportunities for herself and her husband – but another was that she feels more comfortable with southern people. "They are more likely to be cordial – irrespective of colour," she says."

None of this means the South is a paradise of racial harmony. Even in Atlanta, which stands at one extreme, the races socialise rarely. And just 50 miles north lies Forsyth county, long known as a centre of redneck racism. Occasional Klan cross-burnings still light the southern night skies (although these are said to be more common now outside the region, in which the KKK is regarded more as a minor irritant than a sinister force).

You can find plenty of subtly segregated facilities – like the Little Rock golf course where Clinton played earlier this year; or Mississippi's university system, which was the subject of a violent civil rights battle in September 1962 and remains embroiled in a court case over its slow progress towards integration. And there will always be politicians, such as Louisiana's David Duke, who try to play the race card.

But this does not undermine the surprising fact that, in many respects, the South seems to enjoy better race relations than the north. John Lewis, the son of an Alabama sharecropper who is now a US congressman for central Atlanta, argues that "the greatest sense of hope, the greatest sense of optimism, when it comes to race relations . . . is in the South – in spite of the past, in spite of the problems we still have."

Improved race relations certainly have played a key role in the South's economic boom which, over 30 years, has changed a primarily agricultural society into an increasingly urban one that depends on industry and services. Drive a little way out of Nashville, the home of country music, and you will reach two of the most modern car factories in the US: Nissan's plant at Smyrna and General Motors' Saturn factory at Spring Hill. BMW has just announced plans to build its

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The Long View/**Barry Riley**

Mortgages that threaten ruin

GLOOM HAS recently intensified in the British housing market, with Halifax Building Society's estimate of a remarkable and unprecedented 3.1 per cent average price drop in the single month of September.

True, there were exceptional factors such as the ending of the stamp duty holiday in August, and anyway September is seasonally weak. However, the figure only confirms the underlying downtrend, with a year-on-year decline of 7.5 per cent. Applied across the UK's 15.5m owner-occupied dwellings that implies a loss of aggregate wealth of £80bn in 12 months.

To a greater or lesser extent this hits us all. The biggest postbag I ever received after one of these Saturday columns was in January 1990 when I suggested that UK entry to the ERM would knock 25 per cent off house prices. My correspondents – who included a Tory MP – were alarmed: could I be serious? Indeed I was, but when the government duly entered the ERM nine months later one of its biggest errors was its failure to warn housebuyers of the risks.

However the politicians were thinking much more about the next general election than about the need to protect gullible homebuyers from a powerful lending industry keen to thrust 100 per cent mortgages down their throats. But much water, as well as money, has flowed under the bridge. We are now out of the ERM again, and merrily cutting interest rates. Will house prices, freed from Germanic restraint, get back on to their former uptrend? I suspect, not for quite a while.

On average, according to the Halifax, house prices have fallen by 12 per cent in nominal terms since the national market peaked in July 1989. Allowing for retail price inflation that is a decline of 27 per cent in real terms. And although house prices have been known in the past to fall in real terms the *nominal* decline of the past three or four years is quite unprecedented in the living memory of homeowners. In London nominal prices are down by 24 per cent since a late 1988 peak.

Of course, if you live in Scotland you may wonder what all the fuss is about. House prices there are still rising (just) and the puncturing of the great south-east England house price bubble has meant that the ratio of prices in London and Scotland has returned to early 1980s levels at about 1.35 instead of the 2.3 touched in 1988.

In one sense, therefore, the housing market is simply returning to sanity, in a thoroughly healthy way. This applies to the earnings relationship too. Whereas the ratio of the average house price to average earnings headed dangerously for the stratosphere in 1989, reaching almost 5.0, it is now just about back within what could be regarded as the historically normal range of 3.0-3.5.

But there the good news ends, because it would be prudent to expect the ratio to undershoot on the downside: it could easily drop significantly below 3 before the confidence of both borrowers and lenders can be rebuilt. Moreover we must remember that although house price relationships have become rebalanced, in one vital respect there has been a big change since the mid-1980s: much more debt is secured on the British housing stock. Values have been declining in the past two years, but mortgage outstandings have continued climbing – from £294bn to £321bn in 1991, and probably by nearly another £20bn this year. Ten years ago mortgages represented 22 per cent of the value of the housing stock, but today the figure is a worrying 35 per cent. This is worse than it looks, because there are mortgages on only 10m homes, which therefore bear 54 per cent debt on average. Within the 10m is a significant (at least 10 per cent, and growing) proportion on which the debt:equity ratio is over 100 per cent.

Will a post-devaluation spurt in inflation help? The trouble is, only *pay* inflation will ease the burden. In the next year or two pay rises are likely to lag behind price inflation as the personal sector suffers a cut in living standards. There is precious little comfort there, although yesterday's one-point cut in interest rates will obviously help.

Lots of self-serving solutions are being promoted by the mortgage industry. The other week I received a press release from a firm of mortgage counsellors whose business is advising home owners who cannot service their debts. Answers to the crisis, it was suggested, included encouraging banks and building societies to offer 100 per cent mortgages to first time buyers and finding a way in which second time buyers could carry their negative equity over to their next house. Otherwise house prices could never recover.

But it was 100 per cent mortgages that got us into this mess in the first place. It is hard to imagine that more of the same could ultimately be good for anybody except debt counsellors. Of course, the lending industry is desperate for a sharp jump in house prices that would bail everybody out of the current disaster. Awkwardly, the rational view is that on the fundamentals house prices at present *are not low*. Moreover they might well ease further over the next year – what price homes in the Yorkshire coalfields? – before beginning to climb slowly in parallel with average earnings. If it works out like this, up to 2m home buyers and important sections of the mortgage lending industry face potential ruin.

It is time for the government to be preparing a national household mortgage workout scheme to absorb, reschedule and, where necessary, write down the problem loans. The sums will be staggering, because the debt involved must be of the order of £50bn. This includes the 1m-plus uncovered mortgages which are not in most cases bad but must be refinanced on a partially unsecured basis if young people are not to be stuck for many years in starter homes.

Acacia Avenue is sinking under water and will soon need a lifeboat.

London Markets

Troubling memories of the 1930s

By Peter Martin, Financial Editor

WHO WROTE this, and when?: "It is now fairly obvious that we are on the downward slope of an international credit cycle. The intensity of our own problem today is due to the fact that we now have the influence of this international depression superimposed on our own pre-existing domestic troubles. A year or two ago our troubles were primarily domestic; now the international problem is at least equally important."

Those words come from John Maynard Keynes, in the spring of 1930. They describe the dilemma of the Major government as accurately as that of Ramsay Macdonald's. And they cast an intriguing light on the events of the past week.

On Friday, for example, a 1 per cent cut in UK interest rates resulted in only a 17.3 point rise in the FT-SE share index, because the market had a nervous eye cocked at Wall Street's jitters. And earlier in the week, while the job losses at British Coal monopolised the attention of the UK press, Siemens and BASF were adding several thousand job cuts to the steady stream of labour reductions at big German companies.

Back in 1930, Keynes was a vigorous participant in the debate – which raged over the next two years – about whether Britain should seek to escape through devaluation from a fixed exchange rate system; and, once that had taken place, what post-devaluation policy should be.

In the passage quoted earlier, he summed up one particularly intractable aspect of the problem: the way in which a UK economic crisis, caused by the failure of domestic policies, had been made much worse by a global depression.

At the time, though, it was often hard to disentangle the domestic and the international aspects of the crisis, the economic and the political. Just so this week, as headlines about the EC emergency summit at Birmingham have jostled for prominence with those about the closure of more than half British Coal's mines.

In the background, however, lies a worsening economic picture almost everywhere. J.P. Morgan, the big US bank, has nearly halved its forecast for growth in the industrialised world next year, to 1.2 per cent. Within that, forecasts for economic growth in Britain's most important group of trading partners, its fellow members of the European Community, range from a high of 0.9 per cent in Spain to a low of minus 0.5 per cent in the western part of Germany.

Of course, though these estimates may still prove to be optimistic, they are not the world-wide slump that Britain had to cope with in the early 1930s. Equally, however, they offer little immediate hope that the British economy can be tugged back to prosperity by expansion elsewhere.

Forced to rely, therefore, on estimates of the likely impact of domestic policy, the market has responded by sitting on its hands. After the immediate sharp rise that followed sterling's escape from the ERM, the FT-SE index has moved sideways, closing on Friday at 2563.9, 3.1 points below the level at which it closed the week of sterling's ERM suspension. It is still 173.9 points below the level of 2737.8 reached in May this year. Adjusted for inflation, it has lost nearly a third of its value since the summer of 1987.

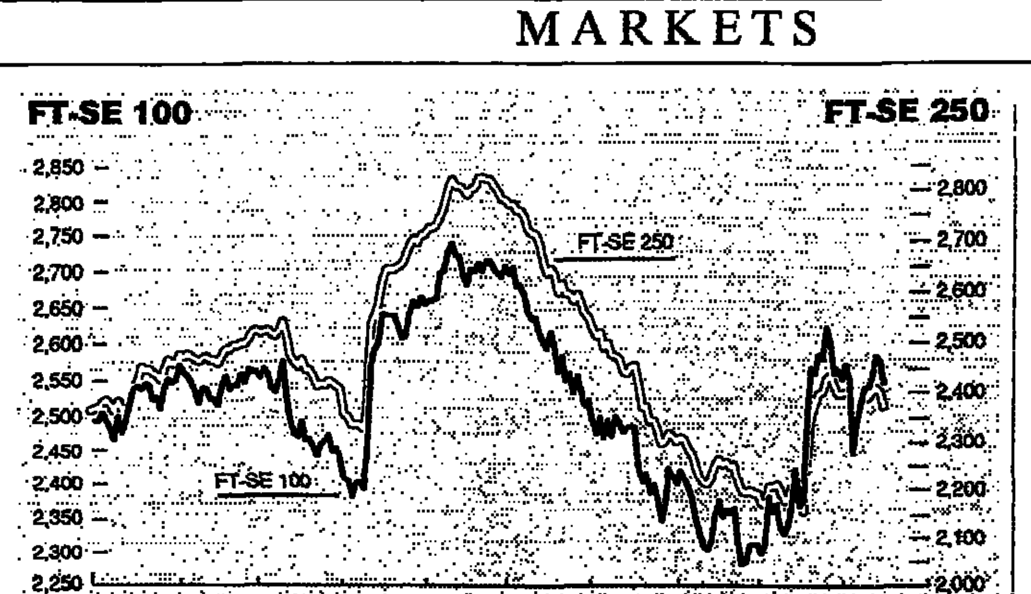
Another sign of the times is the performance of the gilt market, where long-term interest rates jumped nearly a full percentage point in the fortnight after sterling's departure from the ERM, to 9.6 per cent, reflecting fears of higher inflation. Since October 6, however, they have been falling: the 9 per cent gilt maturing in 2008 closed at 8.97 per cent, down a quarter-point on the week.

One possible explanation for the relatively strong performance of long gilts in recent days might be that investors were confident that the government had a long-term plan for controlling inflation. However, since what most investors think about the performance of the government is unprintable, that is unlikely to be the right answer. One explanation could be that fixed-interest investors believe the economy is now so depressed that no amount of short-term political expediency will raise the risks of inflation. Confusion might be as likely a cause, since prices of index-linked gilts also rose yesterday.

The gloom over the domestic economy is reflected in the performance of the two indices shown in the chart. One of them, the FT-SE 100, is the familiar index of the UK market's biggest stocks. The other, the FT-SE Mid 250, is the new index that captures the performance of the next 250 companies – again ranked by market market capitalisation. Over the course of the year, there have been quite big swings in the performance of the two indices, reflecting the balance of investors expectations about whether the big international stocks in the FT-SE 100 would do better than their more domestically oriented counterparts in the FT-SE Mid 250.

Over the past week, the pattern has been one in which a drop in the FT-SE 100 index is exactly mirrored by a drop in the Mid 250; but a rise in the FT-SE 100 attracts only a feeble imitation from the Mid 250. As a result, though the FT-SE 100 is only 6 per cent or so adrift of its May high, the Mid 250 is more than 15 per cent below the figure it reached then. FT-SE 100 stocks, many of them big overseas earners, are clearly seen as better insulated from the woes of the British economy than their mid-sized counterparts.

One FT-SE Mid 250 company, RHM, this week failed to do much to help the index. It announced its response to a £780m all-cash takeover bid from Hanson: a demerger into three parts. To strengthen the weakest of those parts, the baking and milling division, it agreed to buy Federal Bakeries from Dalgety. Though the demerger offers shareholders, in principle, the opportunity to profit themselves from any value released by the break-up – rather than handing it over to Lord Hanson – the market appeared disappointed. RHM's shares rose only 5p to 246p, 26p above Hanson's cash offer.



Source: Datastream

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992 High	1992 Low	
FT-SE 100 Index	2563.9	+22.7	2737.8	2281.0	UK base rate cut
Airtours	216	-20	337	172	Bid hopes fade
Arjo Wiggins	144	-10	290	123½	UBS downgrade
BICC	221	-40	360	219	Large placing/dividend worries
Barclays	317	-23	410	274	Moody's downgrade
Bass	518	-44	655	472	Downgrades/price war fears
Glaxo	786	+15	943	632	Annual meeting
Henderson Admin	658	+40	785	535	In talks to buy Touche Remnant
ICI	1027	-35	1410	1018	Smith New Court downgrade
Ladbroke	144	-15	267	126	Kleinwort downgrade
Medeva	176	-19	301	150	Concern over potential share dilution
National Power	251	-15½	285	188	Criticism by regulator
PowerGen	261	-20	295	196	Criticism by regulator
Thames TV	169	+32	200	134	US interest on undervaluation
Wellcome	949	-23	1174	777	Retrovir rivalry potential

Serious Money

Savers need a new economic policy, too

By Philip Coggan, Personal Finance Editor

THE BASE RATE cut may be good news for mortgage payers but it represents another blow to those savers who keep all their cash in the building society.

As banks and building societies cut their rates over the next few weeks, many savers may see their gross rates fall below 7 per cent. For a top rate taxpayer, that may mean a net return of 4 per cent, scarcely ahead of inflation.

"Building society investors are being squeezed at both ends with their incomes falling and the real value of their capital still being eroded by inflation," says Clive Scott Hopkins, of Towry Law.

With some predicting that base rates may need to fall to 6 per cent if the government is to have any hope of reviving the economy, the problems for savers are set to grow.

For many, this is a culture shock. Building societies have offered very attractive rates over the past few years and savers have been able to ignore the alternatives, especially as shares have effectively gone nowhere since July 1987.

However, if they want to avoid a drop in their standard of living, savers are going have to consider some wider choices.

One simple and relatively secure option is suggested by James Higgins, of financial advisers Chamberlain de Broe. He suggests that small savers with £15,000 should keep £5,000 on deposit and place £10,000 in index-linked National Savings certificates, which offer a tax-free return of around 4.5 per cent plus inflation if held for five years.

Investors can then run down their deposits at a rate of over £1,100 a year. Since they are eating up their capital, this income will be mostly tax-free. After five years, if inflation has averaged 4.5 per cent, then the certificates will have grown sufficiently to repay the original £15,000 of capital.

Another relatively secure investment field for those who need income is gilts. Many are priced above face value (and thus offer the investors the prospect of capital loss). But although gilt prices rose 1¼ points yesterday some still offer yields of nearly 9 per cent, which could look a very handy return in six months.

Richard Boyton, of Boyton Financial Services, says that the base rate cut "doesn't much alter our medium term view that bonds and bond funds are still attractive. We also like the permanent interest bearing shares (PIBs) issued by building societies and some of the zero dividend preference shares issued by investment trusts."

We may be returning to old-fashioned British stop-go economics

Clive Scott Hopkins says the answer for savers must be to move into gilts and to start moving into shares. He favours three products: a Generali Lifetime Income Bond, which pays 8.5 per cent net, and is linked to War Loan; Barclays Sterling Bond Fund, based in Jersey, which invests in gilts and Eurobonds and pays income gross; and with profits bonds, where some companies are currently offering 9 per cent.

It is pretty difficult to set hard and fast guidelines for savers, if only because government policy seems to change from day to day. After all, base rates are now almost half the 15 per cent level which the chancellor planned to impose on Black Wednesday, only a month ago.

But the saver needs to stand back from the current turbulence to get the right perspective. Only a few weeks ago, Britain's membership of the Exchange Rate Mechanism seemed to indicate that the country had entered an era of low inflation, low growth and low interest rates.

Now everything has changed. Whether the devaluation of sterling will lead to inflation depends on which economist you ask. In the short term, there are strong deflationary forces at work; but the recent surge in index-linked gilt prices indicates that many investors feel inflation will eventually rebound. The government is certainly under immense political pressure to abandon its strong anti-inflationary stance and concentrate on dragging the economy out of recession.

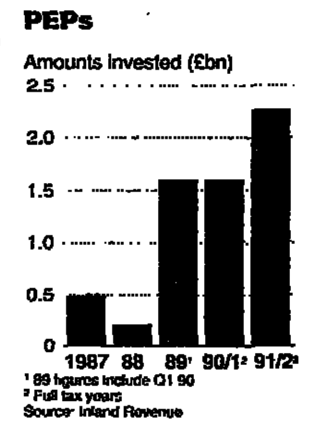
In other words, we may be returning to old-fashioned British stop-go economics. And past experience has shown that, over the long term, shares have been the best performers in those conditions.

So the smart investor cannot afford to ignore equities altogether. Shares offer the prospect of capital gain (which still has tax advantages for the vast majority) and rising income over the long term. Building societies offer neither.

Although the arguments about whether shares are cheap today are complex (see Page III), investors should consider how they can gradually build up an equity component of their portfolios. Relying on the building society alone can damage your wealth.

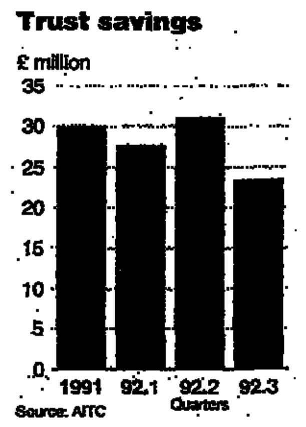
AT A GLANCE

PEPs



¹ 89 figures include Q1 90
² Full tax years
Source: Inland Revenue

Trust savings



Source: AITC

Peps prove popular . . .

New figures for the amount invested in personal equity plans show that £2.26bn was invested in Peps for the 1991-92 tax year, with more than 640,000 new general plans taken out.
This is a rise of £660m from the previous year, when the amount invested was £1.6bn. The increase was caused in large part by new investment trust launches, which allowed the full annual limit of £6,000 to be put into a Pep. Changes announced in the Budget this year lifted the £3,000 limit on unit and investment trusts.
The Treasury also attributed last year's rise in investments to the introduction of single company Peps. The total invested in general Peps since their introduction in 1987 now amounts to more than £6bn.

. . . but IT savings schemes fall

Contributions to investment trust savings schemes fell by 24 per cent between the second and third quarters of 1992. This was largely due to a drop in lump sum investment, although there was a small fall in the amount invested on a regular basis. However, the number of regular savings accounts increased from 57,280 to 66,475. Nearly £400m has been invested in IT savings schemes since they began in 1984.

Leeds fixed mortgage offer

Leeds Permanent building society was quick to react to yesterday's base rate cut, not with a mortgage rate cut of its own but with the introduction of a new fixed rate mortgage.
The fixed rate is 7.95 per cent for a two year period and replaces the 8 75 per cent fixed rate which was launched last week. The minimum loan is £15,005 and there is no maximum advance. The mortgage is available on all types of mortgages with an arrangement fee of £150. There is a redemption fee of two months' interest in the first year and one month in the second year. See Page IV

Looking to Latin America

Edinburgh Fund Managers is launching a Latin American unit trust which aims to take advantage of the resurgence of economies in that area. The initial charge is 5.25 per cent and the annual charge 1.5 per cent. There is a bonus offer of 1 per cent of units purchased during the launch period, which lasts until October 23. The minimum investment is £500.
Perpetual is now offering its global bond unit trust to private investors, having made it previously available only to institutional holders. The minimum investment is £1,000; the initial charge is 5 per cent and the annual charge 1 per cent.

Bad week for smaller companies

It was another bad week for small company shares. The Hoare Govett Index (capital gains version) fell 0.5 per cent from 1059.73 to 1054.60 over the seven days to October 15, while the County Small Companies Index fell 0.6 per cent from 820.77 to 815.94 over the same period.

Gartmore launches trust

Gartmore is launching an emerging markets investment trust, which will invest in the single country funds sector. The trust will attempt to benefit from the discount to net assets on which shares in many such funds trade. The average discount for those funds which are listed in London but based overseas is 32 per cent. Gartmore is attempting to raise a minimum of £20m, in the form of a placing of shares at 100p, with warrants attached on a one-for-five basis.

Wall Street

Traders prepare for Clintonomics

TWO broad factors will be driving the sentiment of equity investors on Wall Street over the next fortnight – the tenor of third quarter results from corporate America and increasing speculation about which stocks are likely to benefit or suffer from a Clinton presidency.

The stock market has, with a few exceptions, been in a generally bearish mood since the start of October, with the Dow Jones Industrial Average having lost about 100 points over the two week period.

The past week opened on Columbus Day, a semi-holiday on which trading was very light, but the Dow Jones index showed a healthy improvement anyway. The index continued to rise on Tuesday as the first trickle of third quarter results suggested companies might meet or in some cases exceed market expectations.

These gains early in the week, in part a reaction to the sharp drop over the previous week's trading, were given back by yesterday. Thursday proved an especially difficult day as the market was dragged down by news from IBM and Philip Morris, two of the 30 stocks that make up the Dow Jones Industrial Average. These companies were hit by a worse than expected loss and a drop in cigarette shipments respectively. It should be noted, however, that the Standard & Poor's index, a broader market measure, was somewhat less affected than the weighted Dow average.

IBM's $2.78bn third quarter loss was particularly unnerving and the company's share price was marked $5¼ lower on the day, sinking to the lowest level in a decade and contributing to the 20.80 point drop in the DJIA. Yesterday morning the IBM price continued to slump, this time by $3⅝ to $69⅛ at lunch-time. That made for a stunning cumulative drop of more than 30 per cent from IBM's high this year, recorded last July.

Philip Morris meanwhile declined by $4¼, or 5 per cent, on Thursday, to $73⅝. The company's share price was still falling yesterday morning, down by $4¼ to $75⅝ in heavy trading.

Next week a variety of bank results will be announced. In common with a number of manufacturing companies they are expected to produce respectable third quarter results. If third quarter figures prove to be not too bad, however, it will be a reflection of cost cutting programmes, asset disposals and other rationalisation measures rather than an improving macro-economic picture. And that is precisely where the issue of Clintonomics comes into play.

For two years US economists and supposed market pundits have been claiming that recovery was just around the corner. The short-term American mind-set of these forecasters has created misleading expectations and has contributed to an overvaluation of the equity market which reached its least rational peak at the start of 1992.

As the reality of a painfully weak recovery has become apparent, the Dow Jones index is running at a level more than 200 points below the average of nearly 3,400 achieved in late July. As it should be.

Clinton has meanwhile successfully hammered the Bush Administration's absentee-landlord approach to the US economy while at the same time offering his proposals for a kick-start during the first 100 days of his (likely) presidency. Largely Republican Wall Street, for its part, has become increasingly used to the prospect of a Clinton Administration.

What might this portend for the equity markets? There is an agnostic view as far as the deficit is concerned, with few believing Clinton will be able to chop it in half in just one four-year term. But when it comes to his public spending plans, there is reason to look more closely at specific industrial sectors.

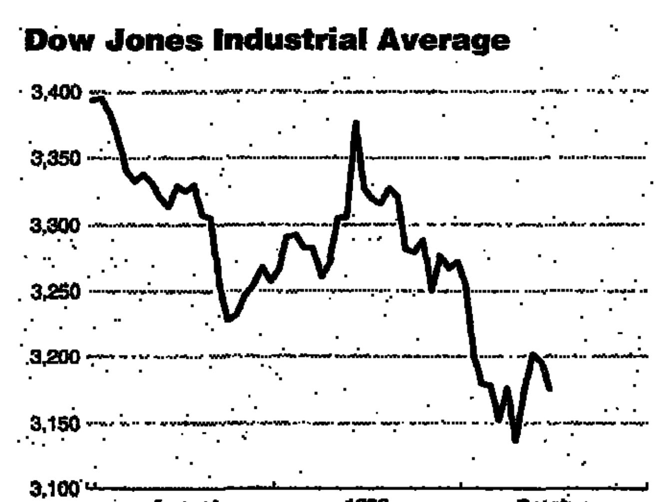
Put simply, Clinton's likely fiscal stimuli, aimed in part at job creation, should benefit companies involved in infrastructural works. That could mean a plus for construction and telecommunication stocks. The Democrat's expected focus on public spending in education and health care could also hoist stock prices in the textbook publishing and hospital administration sectors. Ditto for environmental stocks.

The downside is that defence stocks and some pharmaceuticals could suffer from lower government expenditure and tighter price controls respectively.

While equity investors may profit from a carefully selective review of those sectors likely to benefit from a Clinton presidency, the bond market could turn increasingly bearish if it thinks the fiscal stimuli would prove overly inflationary or would send interest rates higher again.

Alan Friedman

Monday	3174.41	+ 37.83
Tuesday	3201.42	+ 27.01
Wednesday	3195.48	– 05.94
Thursday	3174.68	– 20.80
Friday		



Source: FT Graphite

Bottom Line

Lucas wields jobs axe against predators

LUCAS INDUSTRIES, one of the largest UK engineering groups, this week joined the sad roll-call of British companies announcing sweeping redundancies.

The Midlands-based manufacturer of automotive and aerospace components has already started a three-year restructuring programme to shed at least 4,000 jobs, half of them in the UK. As a result, the workforce will fall below 50,000, compared with more than 57,000 two years ago.

Lucas reported a slump in pre-tax profits from £82.8m to £22.5m in the year to July. A controversial £90m credit from the Lucas pension fund, taken in the first half, was completely offset by a provision for the restructuring costs.

Yet the group's news was not entirely gloomy. A strong performance by automotive components in continental Europe helped maintain overall sales and profits, despite the weakness of markets in the UK and US.

Lucas and other British manufacturers have risen to the challenge of meeting the demanding standards set by Japanese car makers, and the UK is becoming an increasingly favoured source of components for discriminating buyers such as Mercedes-Benz and BMW.

Lucas's biggest headache is aerospace components, which saw operating profits slump from £65.3m to £19.1m. The company blamed defence cuts and weak demand in the civil aircraft sector, together with stock writedown provisions.

The presentation of the restructuring plan struck the City as a pre-emptive strike against a possible bid. Lucas was certainly careful to accentuate the positive and wants to maintain the full dividend payment of 7p next year, even although it is likely only to break even in the first half.

Mustapha Omar, an analyst at Williams de Broë, said: "Despite the sensible strategy outlined to thwart a hostile approach, the group is still vulnerable, because it was slow to rationalise its businesses during the recession to protect its operating margins, and as a result is inferior to its automotive peers GKN, BBA and T&N."

However, Omar points out that Lucas's prudent approach to accounting, – writing off all its R&D spending in the year it is incurred – had depressed its earnings and hence its market rating, thereby increasing the likelihood of a bid.

He adds: "We are not advocating that Lucas should deviate from its former path, but it is interesting to note that if Lucas capitalised 56 per cent of its R&D budget – like its prospective suitor Siebe – it would have reported pre-tax profits of £77.5m rather than £22.5m."

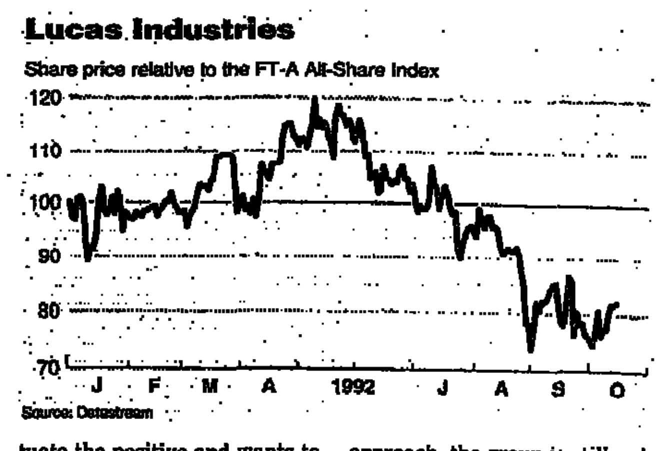
Monday's results caused the Lucas share price to close 4p higher at 94p, valuing the company at £660m. This mainly reflected relief that the company had dipped into its reserves to maintain the dividend payment of £49m. At the week's close of 99p, the shares were still well below last year's peak of 170p, which gave the group a market capitalisation of £1.17bn.

Lucas hopes to raise £100m in the next year by selling peripheral concerns, such as its fluid power distribution business. Some analysts are sceptical that the company will be able to achieve the prices it wants on timetable in current market conditions.

The chart illustrates the recent volatility of the stock, with Lucas outperforming the market during the post-election recovery and underperforming it during the recent collapse in confidence.

The high yield obviously reflects market doubts that the dividend can be maintained next year. Yet a failure to do so could well flush out prospective bidders. Given the shares' recent record, Lucas looks an interesting, if speculative, bet.

Andrew Bolger



Source: Datastream

FINANCE AND THE FAMILY

Luring small investors back into shares

***Philip Coggan** reports on the birth of ProShare, which was formed to promote the benefits of buying UK equities*

FANCY a half-hour free consultation with a stockbroker? That is one of the perks being offered by a new body for private shareholders which was launched in the UK this week – the ProShare Association, which has been given financial backing by the Department of Trade and Industry, the Stock Exchange, and many leading companies.

This might not be the best time to persuade investors about the merits of equity investing. Monday is the fifth anniversary of the stock market crash, which could have frightened many savers away from shares forever.

The present economic news is hardly encouraging, either. Unemployment is rising rapidly and many of Britain's longest-standing companies are struggling to cope. But ProShare is relentlessly upbeat about long-term prospects. Its chairman, Sir Peter Thompson, even said at the launch that low inflation and falling interest rates would be bad news for fixed-interest securities – a view contrary to conventional investment thinking.

The new organisation points to the fact that, over the long term, equities traditionally have outperformed other investments such as gilts or cash. The graphic shows just how dramatic the difference can be. Someone who invested £100 in shares in 1945 would, with gross income reinvested, have £28,513 by now; the same sum in gilts would have grown to just £1,209.

Treasury bills were used as the best way to illustrate cash returns; it was only in the 1980s that competition in the building society market drove up savings rates to attractive levels. Even so, cash returns would have turned £100 into just £2,328. (The figures do not allow for dealing costs, but the disparity is too great for these to make much difference).

Whether equities continue to do so well is a matter of considerable debate (see article below). And the sorry experience of investors during the past few years is that equity returns have been outstripped easily by the building societies.

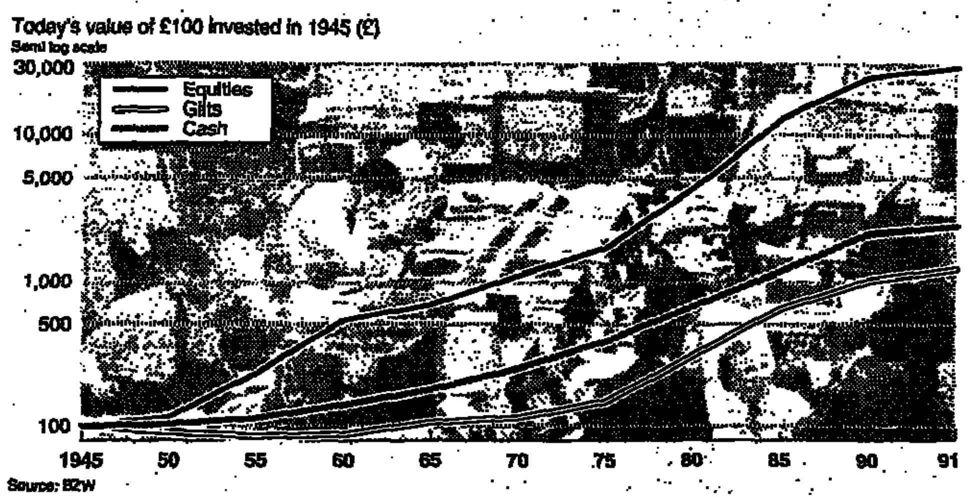
Still, any organisation which can be a mouthpiece for private investors as well as an information provider has to be welcome. The stock market is so dominated by institutional investors that the small investor must feel like Andorra trying to compete with the superpowers.

The free stockbroking consultation might seem like a gimmick but it could at least prompt many people to investigate what often has seemed a stand-offish profession. About 60 brokers have agreed to take part in the scheme and a list of these will sent to those who agree to join the association, for which membership will cost £30 a year.

In addition to meeting a broker, members will receive an investors' handbook, a monthly magazine, a portfolio record system, and vouchers for eight issues of the *Weekend FT*. Further perks will be added.

There is a free two-month trial period. Those interested in receiving more information can call 071-971-0061.

Investment returns



Source: BZW

IF YOU DECIDE that the time is right for you to buy shares, how would you go about it and how much would you expect to pay?

Much depends on how much money you have to invest and what kind of service you expect. There are three basic types of stockbroking service:

- Execution-only brokers, who will buy and sell shares on your instructions but who cannot give advice;
- Advisory brokers, who will transact deals and give opinions on the merits of shares;
- Discretionary brokers, who will take charge of your money and invest it on the basis of their opinions.

These services are not available to everyone. If you want the service of a discretionary broker, you may need a substantial amount of money to invest, probably in excess of £50,000 or so.

Execution-only brokers are far more accessible, but there are considerable risks involved. It is hard for experts to avoid being caught out by collapses at companies such as Polly Peck or Maxwell Communications, so the amateur investor is even more exposed when picking stocks.

In addition, experts tend to agree that investors need a diversified portfolio of around a dozen shares to avoid the risk that one share might collapse.

Given the costs of dealing in small sums, this probably means that a sensible portfolio requires a minimum of £25,000. The individual should first make sure that he or she has rainy day savings in the building society and other investments, such as a good pension scheme.

Those with smaller sums do have ways of benefiting from the growth potential of shares – unit and investment trusts. Trusts hold a broad range of shares and thus give the small investor instant diversification. Management charges can be high but some managers have recently cut fees and offer attractive deals – such as a Gartmore fund which aims to track the FT-A All-Share Index and which has no initial charge.

However, some investors may simply want to back their hunches and buy shares in a company they know well, such as Tesco. As well as the risks involved, they need to know about the charges. These mainly consist of:

Commission

This is charged by the stockbroker with whom you deal. Brokers normally have a set minimum commission; with bigger deals being charged in proportion to the size of the transaction, say 1.5 to 2 per cent.

The cheapest rates tend to be found at execution-only brokers. Manchester-based Gall and Eke, for example, have a minimum of only £10 for deals of under £1,000; Sharelink is currently charging just £50 for deals of over £8,000.

Brokers who offer advice and portfolio management will normally charge higher commissions, but claim this reflects a better standard of service.

Buy-sell spread

Those who trade in shares set two prices; they will buy the shares at the lower price and sell at the higher.

For example, shares in Marks & Spencer were available on a spread of 325p to 327p before trading started yesterday morning. Newspaper listings, such as the *Financial Times*, quote the mid-price of 326p, but if you had wanted to buy shares you would have paid at least 327p.

Investors must make up this spread before they can make a profit. The spread on Marks & Spencer is fairly narrow; but it can be far larger on small company shares. Take Acsis, a wonder stock in early 1987; the spread yesterday morning was 0.5p to 1p. So an investor who bought the shares and immediately sold them would face an instant loss of 50 per cent on his or her investment.

Stamp duty

This is charged by the government at a rate of 0.5 per cent of a transaction's value. You only pay the duty when you buy shares, not when you sell them. The duty is due to be abolished when the Stock Exchange introduces a new electronic system of share dealing called TAURUS.

Is it time to buy?

NO ONE RINGS a bell to tell private investors when it is the right time to buy shares. There is always the risk of buying just before the market plunges.

Yesterday's base rate cut caused a mini-rally in equities. Any fall in interest rates increases the attractions of shares over cash; and declining rates ease the burdens on indebted companies and increase the chance that the economy will recover.

But cutting rates has its dangers. The pound may weaken, leading to rising import prices and higher inflation. And the prospect of a declining pound may dissuade overseas investors from buying UK shares.

Nevertheless, the traditional valuation methods provide some comfort for those who believe the time is right to buy. The dividend yield on the FT-A All-Share is 4.9 per cent, marginally below the 20 year average of 5.1 per cent but significantly above the rate of inflation at 3.6 per cent. In the last quarter century, real yields have normally been negative, not positive.

The ratio of long term gilt to equity yields is even better news. The higher the ratio, the more attractive the returns on gilts – and the greater the danger that investors will sell shares and buy bonds. Indeed, the ratio peaked at 3.34 on October 2 1987 – just before the Crash. But the ratio is currently 1.9, below the 1976-92 average of 2.2.

Prospects are less encouraging if you watch the price-earnings ratio, which relates share prices to corporate profits. Over the last 20 years, the average p/e ratio on the FT-A 500 Index has been 11; the current ratio of 15.7 is well above that, indicating that shares are expensive in historical terms.

But Ian Stephenson, of Smith New Court, feels that if private investors can afford to lock money away, they should think about moving into the market. He points out that if gilt yields fall to 8 per cent and the yield ratio remains around current levels, share yields will fall to 4 per cent, offering the prospect of a 20 per cent capital gain.

The gloomsters' view is that traditional valuation methods have become irrelevant owing to fundamental changes in the investment climate. Some argue that we face a Great Depression akin to the 1930s. Deflation will occur and that will mean falls in asset prices such as houses and shares.

"We believe the rise from the November 1987 lows represents nothing more than the biggest suckers' rally in history", says David Kauders, a Taunton-based financial adviser who has been recommending his clients to invest in gilts and US treasury bonds. In his newsletter he says: "It is essential at present to stand aside from stock markets, to make very few changes to your portfolios of government securities."

With expert views diverging so sharply, the average investor can be forgiven for feeling confused. At least some compromises are available.

The first is the savings schemes offered by unit and investment trusts. These allow the investor to buy into the market gradually and avoid the danger of investing just before a crash. Pound-cost averaging means that investors buy more shares and units when prices are low.

Guaranteed products can protect against capital loss. They are not ideal, since the investor normally needs to hold them for a set period to receive the guarantee, does not receive any income and may suffer a tax penalty.

Two five year bonds were launched by the Britannia Building Society and Guardian Royal Exchange this week. The first offers 110 per cent of the rise in the FT-SE 100 Index over five years; the GRE offer will pay slightly less than Footsie's rise. Those interested should consult a financial adviser.

Pep charges cut

MURRAY JOHNSTONE, the fund management group which led the recent round of charge cutting, has abolished all excess charges on its unit trust personal equity plans, writes **Philip Coggan**.

The group's unit trusts currently have an initial charge of 1 per cent, compared with an industry average of 5 per cent. The total bid-offer spread varies between 2.2 per cent and 4.7 per cent.

In other words, someone who invested in a Murray Johnstone unit trust Pep would face an instant loss of between 2.2 and 4.7 per cent on the value of the investment. The "immediate realisable value", as Murray Johnstone describes it, of £100 invested would be between £97.80 and £95.30.

That compares well with some unit trust Peps where, what with high bid-offer spreads and additional Pep charges, the investor might easily face a hit of 8 per cent. The immediate realisable value of £100 invested would be £92.

Other unit trust managers would point out that Murray Johnstone's annual charge is 1.5 per cent, while many managers charge 1 per cent. This will hit performance over the long term, which could offset the lower initial charge.

Many managers would argue that performance, not charges, is paramount. Here Murray's performance is variable. The UK growth, smaller company and European funds have below average performances over the three years to October 1; the Equity Income and Acumen funds have performed better than their sector averages over the period.

FINANCE AND THE FAMILY

Home income victims call for higher awards

***Scheherazade Daneshkhu** reports on a court battle*

VICTIMS OF home income plans are fighting for higher compensation in an action taken by a firm of solicitors specialising in home income plan cases.

Barnett Sampson, which has 450 home income plan cases, yesterday instituted proceedings before the High Court to challenge the way in which the Investors Compensation Scheme proposes to award compensation to people who have lost money through the schemes.

Investment bond home income plans were sold in the late 1980s mainly to elderly people as a "safe" way of releasing income from their homes. In fact, these were risky schemes which led many couples into debt, and in some cases to the loss of their homes, when the value of their equity-linked bonds fell and mortgage interest rates rose.

The ICS, which can award compensation to a maximum of £48,000, is obliged to pay "fair compensation" to those who have succeeded in proving negligence on the part of the broker selling the policy.

However, this compensation falls short of what people might expect to be awarded in the civil courts. If you were run over by a car and were unable to work as a result, you would be awarded compensation both for your injuries and for future loss of income.

Barnett Sampson is challenging the ICS's view of what is *"fair compensation."* The ICS is presently setting a "quantification" date up to which it will pay compensation. For example, clients who lost money as a result of schemes sold by Fisher Prew-Smith, which was declared in default in early October 1991, have had a quantification date set at September 16 1991. The amount of compensation will be assessed to that date, after which the investors' only additional claim is for interest at 2 percentage points below base rates.

Yet since then, "most clients will have had to face mortgage interest payments at 2 or 3 points over base," said Richard Barnett, of Barnett Sampson. He says that if this is a claim against a broker for negligence, clients should be covered for other losses. These include compensation for a continuing mortgage debt, stress or illness caused as a result of the scheme and the payment of professional fees incurred in putting together a case against the brokers selling the schemes.

Protection for Names

BROKERS and underwriters at Lloyd's have negotiated a continuation of the insurance policy which protects the estates of Lloyd's Names, who are liable for losses even after death.

Record losses of the Lloyd's market had threatened the survival of the Estate Protection Plan, which meets all claims which would otherwise fall on the families and heirs of Names.

During the summer the reinsurers paid out £33m to 1,452 estates but premiums amounted to only £10m. Michael Wade, of brokers Holman Wade, which originally devised the policy, said earlier this month that "renewal of the contract had proved challenging."

However under new arrangements, an EPP initially underwritten by Centrewrite, a reinsurance company owned by Lloyd's, is to be made available to Names.

Premiums range from £350 for a Name aged 45 or under to £950 per year for Names aged 61 or over. Even with the policy the estates of Names are liable to pay a substantial part of any loss.

A Name aged 55 underwriting a premium limit of £450,000 in 1990, 1991 and 1992 – with two run-off syndicates with a £25,000 share on each – would pay £650 initial premium and would bear up to an £52,000 excess in the event of death.

The Lloyd's Names Personal Protection Plan, launched last week, is an entirely separate insurance policy which provides limited cover (up to 150 per cent of a Names' underwriting limit) but carries no excess.

The policy, underwritten by Merrett Life syndicate 332 and marketed by brokers Colburn, French and Kneen and accountants BDO Binder Hamlyn, is designed to be written under trust.

In the event of death, the sum assured will be paid directly to the trustees and will not form part of the deceased's estate.

Richard Lapper

Directors' Transactions

Smith cashes in at Storm

GARY SMITH, the chief executive of the animation and licencing group Storm, has sold 2m shares at 10.75p. Smith still retains 5m and his chairman, James Driscoll holds 29.7m, approximately 29 per cent of the issued share capital.

Rugby group has proved something of an exception in the building materials sector, having outperformed the market by approximately 16 per cent over the past 12 months. Peter Carr remains by far and away the largest holder on the board with more than 1.8m shares.

John Ritblat, chairman and chief executive of British Land, has been buying more stock, this time the 12.5 per cent bonds. He spent £258,000 on them and Nicholas Ritblat paid out £51,000.

John Ritblat also has bought 850,000 ordinary shares since the end of March. British Land shares remain at a significant discount to the net asset value.

Angus MacDonald, Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Huntleigh Technlgy	Hlth	2,800	21	2
Logica	Elec	6,000	10	1
Rugby Group	BdMa	1,500,000	2,940	1
Steel Burrill Jones	InsB	151,000	260	1
Storm	Med	2,000,000	215	1
Unilever	FdMa	50,850	545	1*
United Frdly ResVtg	InsL	4,155	17	1
PURCHASES				
ASDA	FdRe	60,000	21	1
Baggeridge Brick	BdMa	30,910	17	1
BLP	Misc	89,352	23	1
British Fittings	BdMa	20,000	10	1
Brit Land 12.5%Bond	Prop	309,000	298	2
Bulmer	Brew	25,000	80	1
Chubb	Recl	12,000	23	1
Corporate Service	BuSe	565,000	34	4
Cussins	C&C	235,000	34	2
Jeyes Group	Hlth	2,500	12	1
Mucklow	Prop	70,000	78	2
New London	O&G	200,000	16	2
Sun Alliance	InsC	6,300	18	1
Thames TV	Med	20,000	27	1
Transatlantic CnvPf	InsL	15,000	41	1
United Friendly	InsL	8,750	63	5

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 6-9 October 1992.

Source: Directus Ltd, Edinburgh

Fixed rate changes

IN THE WAKE of the cut in the banks' base rate to 8 per cent yesterday, rates on fixed rate mortgages are already starting to fall.

Barclays Bank is offering first time buyers a one year capped rate mortgage at 7.99 per cent (APR 8.4 per cent). The borrower can chose the repayment method. A second mortgage offers 8.99 per cent (9.5 per cent APR) fixed for three years for first time buyers and customers moving home. Both involve a £250 fee. For repayment mortgages, customers must take out life assurance with the bank.

Halifax Building Society has been slow to enter the fixed rate mortgage market but this week unveiled an offer fixed until January 31 1995. But having initially set the rate at 8.45 per cent, it yesterday responded to the base rate cut by cutting it to 7.99 per cent (10.2 per cent APR). The maximum loan is 95 per cent of the lower of purchase price or valuation, except for remortgages, where the ceiling is 85 per cent. There is a fee of £250 and a redemption penalty of three months' interest.

Citibank Mortgage revised its fixed rate offers in the wake of the base rate cut. It now offers three year fixed rate mortgages at 8.75 per cent for up to 85 per cent of the value of the property (95 per cent for an extra 0.25 per cent payment). The fee is £245. The Gold One Year Capped mortgage offers a rate no higher than 7.49 per cent until January 1994. There is a fee of £145. A two year cap offers a ceiling of 8.49 per cent. Building/contents insurance is compulsory.

David Barchard

The Week Ahead

SMITHS Industries, is expected to report on Wednesday a 15 per cent drop in pre-tax profit for the year to July 31 from £120.3m to about £102m because of slowing demand in its key aerospace sector with falling production rates of F-16s military aircraft and Boeing 737 airliners.

Cash generation is thought to have remained strong and interest income healthy at about £14m in spite of spending on acquisitions, particularly in its medical sector. An increased dividend of 11.2p (10.7p) is likely. Earnings are expected to fall to 23p from 27.6p.

Albert Fisher, the fresh produce distributor and food processor, upset its shareholders in July with a profits warning. The shares dropped 25p on the day to 41p and have fallen further since after it said a glut of produce would hit profits. Analysts cut their forecast to about £60m from £77m for the year ended August against £89m a year earlier. It has a lot of fences to mend when it reports on Thursday.

Wolseley, the heating and building supplier, announces final results for the year to July 31 on Tuesday and is expected to reveal pre-tax profits of close to £70m, down from £80.3m a year earlier.

With the UK market flat, analysts will be hoping for signs of upturn from Wolseley's US operations. Results from Brossette, the French supplier acquired earlier this year, will be included in the second half but any contribution is expected to be small.

Paterson Zochonis, the Cussons soap and toiletries maker and overseas trader, is likely to report on Tuesday full year pre-tax profits on fractionally ahead from last year's £25.4m. It will be a creditable performance considering that one-third of its sales are in Nigeria which has suffered a 40 per cent devaluation.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Blystad‡	5.4	3½	4½	7.50	Abbot Hldgs
Cahill May Rob.	93	83	54	§£24.66	AAH Hldgs
Continuous Stat.‡	40*	38	34	6.80	Prontaprint
RHM	220*	244	175	782.2	Hanson
TVS Entertainment	25	21½	18¾†	15.50	Int Family Ent
Do. Pref.	45	42	38†	22.50	Int Family Ent

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30 pm prices 16/10/92. §§Shares & cash. † *Price at suspension.*

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Air London	Jul	1,090	(1,200)	8.1	(8.9)	3.5	(3.2)
Albrighton	Mar	1,210 L	(1,390 L)	-	(-)	-	(-)
Allied London Props	Jun	1,490	(4,760 L)	-	(-)	3.53	(3.53)
Cabra Estates	Mar	22,100 L	(11,300 L)	-	(-)	-	(-)
European Leisure	Jun	45,600 L	(5,230)	-	(2.52)	-	(0.7)
Gleeson (MJ)	Jun	9,940	(11,800)	67.1	(75.5)	12.75	(11.58)
Goodwin	Apr	402	(451)	3.6	(4.6)	0.655	(0.63)
Highland Distilleries	Aug	28,740	(28,160)	15.1	(15.1)	6.0	(5.52)
Intereurope Tech	Jun	1,230	(1,400)	15.0	(14.7)	7.4	(7.4)
Lloyds Chemists	Jun	36,900	(20,800)	25.05	(20.96)	5.55	(4.17)
London & St Lawrence	Aug	1,200	(1,100)	4.34	(4.27)	3.84	(3.66)
Lucas Industries	Jul	22,500	(82,800)	-	(7.1)	7.0	(7.0)
Lyles (S)	Jun	1,140	(813)	10.7	(7.42)	4.9	(4.45)
Maunders (John)	Jun	4,000	(3,630)	10.9	(9.8)	4.95	(4.95)
Paramount	May	403	(355)	0.56	(0.72)	0.1	(-)
Pochin's	May	2,460	(2,430)	167.6	(169.6)	21.0	(16.0)
Price Waterhouse	Jun	395,000#	(387,000#)	-	(-)	-	(-)
St Ives	Jul	21,100	(20,200)	15.2	(14.6)	5.25	(5.0)
Shepherd Neame	Jun	4,060	(3,680)	-	(-)	-	(-)
Sinclair (William)	Jun	4,610	(4,480)	15.7	(17.2)	7.0	(6.7)
Specialeyes	May	596 L	(201)	-	(2.04)	-	(-)
Tamaris	Mar	955 L	(2,290 L)	-	(-)	-	(-)
Tay Homes	Jun	6,140	(8,260)	18.1	(25.1)	5.85	(5.3)
Thorntons	Jun	9,200	(11,900)	9.9	(12.6)	3.65	(3.6)
Trace Computers	May	502	(471 L)	2.94	(-)	1.45	(1.45)
UDO Holdings	Jun	5,700	(9,030)	13.7	(20.8)	6.7	(5.75)
UK Land	Mar◊	17,100 L	(14,800)	-	(-)	-	(-)
WB Industries	Dec	1,860 L	(1,590 L)	-	(-)	-	(-)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Abbeycrest	Jun	739 L	(32)	1.2	(1.2)
Aberdeen Steak	Jun	408 L	(629 L)	-	(-)
Barlows	Jun	280 L	(111 L)	0.82	(0.82)
Berry Birch & Noble	Jul	519	(368)	2.0	(1.0)
BNB Resources	Jun	53	(1,260)	1.6	(1.6)
Body Shop Int'l	Aug	8,260	(9,150)	0.68	(0.68)
Bourne End Props	Jun	543 L	(796 L)	-	(-)
Brown (N)	Aug	7,440	(6,030)	1.95	(1.75)
Capital & Regional	Jun	137 L	(248)	0.3	(0.3)
Channel Holdings	Jun	19 L	(1 L)	-	(-)
Clinton Cards	Aug	1,290 L	(2,340 L)	1.5	(1.5)
Cohen (A)	Jun	496	(555)	3.4	(6.6)
Coventry Build Soc	Jun	11,800	(10,700)	-	(-)
Delyn Group	Aug	500	(218)	0.5	(0.45)
Elam	Aug	1,200	(35)	1.65	(1.5)
Fitzwilton	Jun⚘	1,160	(1,220)	1.5	(1.5)
Fleming European	Sept	264†	(201†)	-	(-)
Fleming Income	Sept	3,130●	(-)	-	(-)
FR Group	Jun	11,000	(10,400)	2.46	(2.34)
Gates (Frank G)	Jun	216	(692)	-	(-)
Hi-Tec Sports	Jul	2,840 L	(3,740)	1.0	(1.65)
Hospital Corp	Jun	2,100 L	(6,140 L)	-	(-)
Hughes (TJ)	Jul	143	(114)	0.75	(-)
IFG Group	Jun⚘	486	(820)	-	(-)
Johnston Group	Jun	765 L	(1,250)	2.25	(4.5)
Jones Group	Jun⚘	1,210	(2,560)	4.0	(4.0)
Lamont Hldgs	Jun	2,180	(3,920)	3.5	(3.5)
London American Ven	Sept	34 L♥	(129 L♥)	-	(-)
Mid-States	Jun	1,920	(2,330)	0.75	(0.75)
Mirror Group News	Jun	15,300	(50,900L)	-	(0.8)
North Brit Canadian	Aug	659	(617)	0.94	(0.9)
Owen & Robinson	Jul	2,440 L	(1,230 L)	-	(0.15)
Radamec	Jun	365	(53)	0.5	(-)
River & Merc Geared	Sept	479†	(694†)	1.4♣	(1.4♣)
Serif	Jun	143	(1,130 L)	-	(-)
Silvermines	Jun⚘	479 L	(1,410 L)	1.0	(1.0)
Slingsby (HC)	Jun	28	(82)	2.0	(2.0)
Tudor	Jun	117 L	(94)	-	(0.5)
Ulster TV	Jun	1,790	(134)	4.25	(3.25)
Walker Greenbank	Jul	2,840	(2,690)	1.2	(1.2)
Waste Management	Sept‡	102,700	(66,200)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † = Net revenue. ⚘ = Figures quoted in Irish pounds & pence. ● = Net available profits for nine months. # = Fee income. ‡ = Figures for nine months. ◊ = This years figure for 18 months. ♣ = 2nd interim dividend ♥ = Net losses.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Beta Global Emerging Markets is to raise £13.5m via a placing and open offer.

Dorling Kindersley is to raise £25m via its stock market flotation.

Linx Printing Technologies is to join the stock market via a placing of 3.62m shares at 130p.

WMS Group is to raise about £15m via a placing of shares in the last week of November.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Castle Communications	Thursday	4.0	4.5	4.0
Cradley Group Holdings	Thursday	-	1.0	-
Essex Furniture	Tuesday	1.0	1.25	1.25
Exmoor Dual Inv Tst	Wednesday	-	1.84	-
Ferry Pickering	Thursday	2.1	3.4	2.1
Fisher (Albert)	Thursday	1.75	2.0	1.85
Lowland Inv Co	Monday	2.75	5.35	3.0
McKechnie	Tuesday	5.0	9.75	5.0
Micklegate Group	Wednesday	-	0.5	-
Morgan Grenfell Equity	Friday	-	-	1.0
Murray Split Capital	Wednesday	-	-	-
Overseas Inv Tst	Friday	0.75	1.75	0.8
Paterson Zochonis	Tuesday	2.15	8.25	2.25
River & Mercantile Extra Inc	Tuesday	1.97	1.97	1.97
Smiths Industries	Wednesday	3.9	6.8	4.1
Wolseley	Tuesday	3.1	9.0	3.1
INTERIM DIVIDENDS				
Aberforth Split Level	Wednesday	-	-	-
Airflow Streamlines	Thursday	-	0.1	-
Alexandra Workwear	Wednesday	1.8	1.8	-
Baltic	Monday	1.83	2.5	-
Boot (Henry) & Sons	Monday	7.5	19.5	-
Boxmore Int'l	Wednesday	2.15	4.8	-
British & American Film	Wednesday	3.37	7.32	-
Conrad Continental	Friday	-	-	-
Craig & Rose	Thursday	2.0	12.5	-
Downiebrae Holdings	Friday	-	0.5	-
Edinburgh Inv Tst	Tuesday	2.85	5.2	-
English & National Inv Co	Wednesday	5.0	11.2	-
Farnell Electronics	Tuesday	2.6	3.2	-
Ferguson Int'l Hldgs	Thursday	4.25	8.25	-
Finsbury Tst	Monday	1.2	1.8	-
Geared Income Inv Tst	Friday	1.5	2.0	1.5
Gerrard & National	Tuesday	6.0	15.0	-
Gieves Group	Monday	-	-	-
Govett Oriental Inv Tst	Tuesday	0.37	0.52	-
Hammerson Property Inv & Dev	Tuesday	3.5	17.0	-
House of Lerose	Wednesday	3.0	7.3	-
I&S UK Smaller Co's Tst	Wednesday	-	2.0	-
Le Creuset	Wednesday†	-	0.42	-
Locker (Thomas)	Monday	0.35	0.65	-
London Atlantic Inv Tst	Thursday	0.75	2.2	-
Sketchley	Thursday	-	3.0	-
Smith (James) Estates	Thursday	1.25	2.5	-
Usborne	Friday	0.1	0.3	-
Venturi Inv Tst	Wednesday	-	-	-
Wensum & Co	Wednesday	1.15	2.35	-
Yorklyde	Friday	4.0	5.7	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. † = Figure quoted in French francs.

Diary of a Private Investor

Service with a snarl

FOR THE first time in many years, I do not own a single share of any company in the stores' sector, and my wife holds only a modest number in Burton Group.

Last month, Liam Strong, the new chief executive of Sears, announced a shake-up of his stores' empire that will include closing 350 shoe shops. The company's shares rose sharply and market attention also focused on other stores' groups. I resisted the buying temptation. Why? Because of history and experience.

Over the years, my wife and I have made some nice profits from the sector – partly because we like to wander around shops. In April 1985, she bought shares in Debenhams because she liked its stores and also appreciated the 12.5 per cent shareholder discount on purchases.

In July that year, she accepted Burton's takeover offer and sold most of her newly-acquired holding at between 503p and 573p. This little piece of history is instructive because it shows what can happen to share prices.

Even missed opportunities can provide lessons. In December 1985, I bought shares in Ernest Jones, the high street jewellery chain, at 80p. I reasoned that sales of jewellery were becoming increasingly competitive and that Ernest Jones might be a takeover target. But I became bored with the holding and, by September 1986, I was concerned that it might become difficult to sell shares in small companies like Ernest Jones. So, I disposed of mine at 78p. In 1987, Ratners bid 250p a share for the company.

I was chagrined – but I felt also that Ratners paid too much and wondered what else it might buy at high prices. Would this lead to later problems (especially as jewellery is a discretionary purchase: no one *has* to buy it)? So, I resolved not to invest in Ratners, although many people at that time were recommending it.

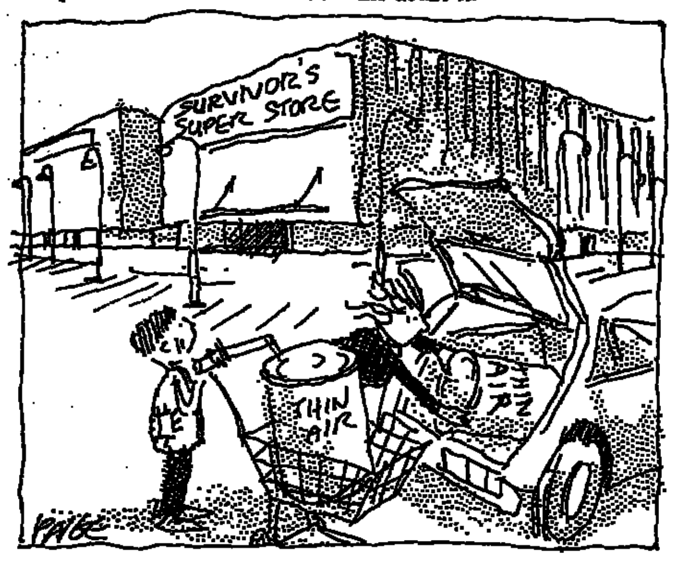
It was a high price/earnings ratio, and visits to the shops, that deterred me from investing in Sock Shop when it was floated in 1987. Others felt differently; the issue was 53 times subscribed and the shares went to more than 250p. To me, though, the products seemed mainly to be low-priced items that could be copied easily and bought elsewhere. Apart from small outlets at railway stations, I could not see what Sock Shop had to offer compared with other stores. It went into administration early in 1990.

Visits to shops have, however, led to share purchases. In 1988, I invested in Daks Simpson because I liked its suits and overcoats and the staff at its Piccadilly store in London's West End seemed always to be helpful. The store also was popular with up-market Japanese tourists, and I thought the company might be a takeover target. My shares cost 430p. In 1991, I accepted 585.5p for them from a Japanese company, Sankyo Seiko.

For similar reasons, my wife and I bought shares in another up-market London store, Liberty: the product range was good, the staff attentive, and it was liked by the Japanese. She has been in and out of Liberty shares several times since 1986, taking excellent profits each time.

My personal pension scheme held on to its Liberty shares for somewhat longer. It planned to hold them for many years, but a recent visit to London depressed me so much that I decided to sell them for a useful profit. I believe the recession is now so deep that spending in stores will be depressed for quite a while.

Will manufacturers and retailers take note and offer lower prices and better service? Recent experiences in London's Oxford Street make me doubt it.



In two shoe shops, I found a style I liked. But neither shop had it in my size and none of the assistants was particularly helpful. Why were the shops not linked by computer to a central warehouse so they could place orders for delivery within a few days?

In John Lewis, the department store, an "all-day breakfast" was advertised. I asked if I could have two eggs and toast. "No," came the answer – I had to have one of the set breakfasts that included either bacon or a sausage and one egg. I could not swap a sausage for an extra egg.

I feel most retailers are going to have a terrible Christmas; the uniform business rate already has crippled many stores in the south. And shoppers know from bitter experience that items for which they paid heavily as Christmas presents will be much reduced in the January sales.

I think supermarket groups are likely to be affected, too, not only by the recession but also their own "dash for growth." Many have been paying vast sums for sites and new stores.

Take the Poole and Bournemouth area, where I live. There are two Asda superstores, two Safeway, three Tesco, two Kwik Save, three Marks & Spencer, five Sainsbury, two Waitrose and six Gateway supermarkets – not to mention the Co-op, Spar, and other similar shops. Tesco also has planning permission for two more large stores in the area.

Can the population really support them all profitably? People will still buy food in a recession – but there is a limit to how much anyone can eat.

Kevin Goldstein-Jackson

SAVINGS RATES (gross annual interest, per cent)

Institution & account	£500+	£2,500+	£5,000+	£10,000+	£25,000	£50,000
INSTANT ACCESS						
Royal Bnk Scot: Gold deposit	5.50	6.00	6.90	7.30	7.70	7.85
Abbey National: Inv. Saver	6.40	6.60	6.80	7.30	7.70	7.70
Alliance & Leicester: Instant	6.40	6.55	6.70	6.90	7.20	7.20
Chelsea: Instant Option	1.00	7.00	7.00	8.25	8.25	8.25
First Direct: High Int Savings	6.50	6.85	6.85	7.25	7.50	8.00
Halifax: Instant Xtra	6.25	6.60	6.80	7.30	7.80	7.80
Midland: Orchard Savings	4.50	5.25	6.00	6.75	7.75	7.75
NOTICE ACCOUNT						
Royal Bnk Scot: Gold 90	3.00	7.30	7.30	8.85	9.20	9.50
Abbey Nat: Investment (90 day)	6.95	6.95	6.95	7.85	8.25	8.25
Alliance & Leicester: 90 Day a/c	-	6.75	6.90	7.70	8.25	8.75
Chelsea: Option 90	7.20	7.20	7.20	8.10	8.35	9.10
First Direct: 60 Day a/c	2.00	8.50	8.50	9.00	9.50	10.00
Halifax: 90 Day Xtra	6.70	6.60	7.00	7.60	8.10	8.50
Midland: Exchequer (90 day)	1.00	1.00	7.25	8.00	8.25	9.00

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Scarborough BS	First Post	0800 590578	Instant	£250	9.00%	Yly
Bristol & West BS	Balmoral A/C	031 225 3557	Instant	£2,000	9.65%	Yly
Scarborough BS	*First Post Plus*	*0800 590578*	Instant	£25,000	10.10%	Yly
				£50,000	10.15%	Yly
Allied Trust Bank	3 Mth Notice A/C	071 626 0879	3 Month	£2,001	9.92%	Yly
Newcastle BS	Nova Star	091 232 6676	1 Year	£5,000	10.10%	Yly
Chelsea BS	Premier V	0800 272505	31.1.95	£10,000	10.75♣	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	11.68%	Yly
Julian Hodge Bank		0222 220800	5 Year	£20	11.00%	Yly
Darlington BS		*0325 487171*	*5 Year*	£1	11.00%	Yly
West Bromwich BS		021 525 7070	5 Year	£150	10.50%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
UDT	Capital Plus	0734 560411	Instant	£1,000	7.25%	Qly
Caledonian Bank	HICA	031 556 8235	Instant	£1	7.50%	Yly
Chelsea BS	Classic Postal	0242 521391	Instant	£10,000	8.60%	Yly
				£25,000	9.10%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	Intl Gross	0481 715735	Instant	£500	8.75%	Yly
Yorkshire Guernsey BS	*Key Ninety*	*0481 719898*	*90 Day*	*£25,000*	8.80%	Yly
Bristol & West Intl Ltd	Intl Premier	0481 7206096	Month♣	£5,000	9.05%	Yly
Yorkshire Guernsey BS	Key Term Share	0481 719898	31.8.93	£10,000	9.25%	OM
GUARANTEED INCOME BONDS (Net)						
Prosperity Life FN		0800 521546	1 Year	£25,000	7.10%	Yly
Prosperity Life FN		0800 521546	2 Year	£15,000	7.25%	Yly
Prosperity Life FN		0800 521546	3 Year	£15,000	7.50%	Yly
Abbey Life FN		0202 292373	5 Year	£25,000	7.65%	Yly
NAT SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		*1 Month*	£5	7.25%	Yly
(8.00% wef 5.11.92)	Income Bonds		3 Month	£2,000	9.00%	Mly
	Capital Bonds F		5 Year	£100	9.00%F	OM
	First Option Bond		12 Mths	£1,000	8.67%F	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	39th Issue		5 Year	£100	6.75%F	OM
	5th Index Linked		5 Year	£25	4.50% +Infln	OM
	Childrens Bond D		*5 Year*	£25	9.10%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed= Fixed Rate (All other rates are variable) OM= Interest paid on maturity. N= Net Rate. B= Bond. ♣= Rate fixed only until 1.2.93. ♣= After 6 month qualifying period. *Source: MONEYFACTS*, The Monthly Guide to Investment and Mortgage Rates, Walshams House, Stalham, Norwich. Readers can obtain *a complimentary copy by phoning 0692 582808.*

Current savings at RBS

THE ROYAL Bank of Scotland has launched a combined current and savings account in a bid to retain money being transferred to building society savings accounts. The bank, which has 1.5m current account-holders, estimates that 60 per cent of these have building society accounts into which they transfer money regularly.

Its "Balanced Banking" initiative will allow customers an automatic transfer of funds between a choice of two or three accounts. The package combines an existing current account – the Gold Cheque – with two types of savings accounts and a sweep facility to and from the savings and current accounts.

The minimum balance requirement of £5,000 means this is a package with restricted appeal, however, and RBS admits that Balanced Banking is aimed at "high net worth" individuals – or those earning more than £25,000 a year.

The account works in similar fashion to Midland's Orchard account, which also has a sweep facility. Customers specify a minimum balance which they wish to be held in the Gold Cheque account, as well as a maximum amount. Excess funds can then be transferred into either Gold Deposit, an instant-access savings account, or Gold Ninety, a 90-day account which pays higher interest.

The advantage of a dual sweep facility is that if money in the cheque account falls below the minimum, funds will be swept back from the deposit account; thus, there is no danger of going into overdraft. There is no sweep facility from Gold Ninety because it is a notice account.

The Gold Cheque account has a £250 guarantee card, daily ATM withdrawal limit of £450, and a free £100 built-in overdraft. Interest is 3.7 per cent gross. But Balanced Banking will be judged in terms of being competitive. The table (top left) shows interest rates on comparable instant-access savings and notice accounts at a cross-selection of banks and building societies.

Those of the RBS are below most other rates on savings below £2,000 but are competitive, if not providing the highest returns, on more substantial sums. Chelsea Building Society's instant-access rates, for example, are higher on amounts above £2,500 while First Direct's rate of 8 per cent gross on £50,000 and above beats RBS's 7.85 per cent.

Scheherazade Daneshkhu

Planning Your Pension

Be sure you understand just what you're buying

Scheherazade Daneshkhu explores the finer points of the market

SO you have decided to take out a personal pension. The variety of choice might tempt many people to give up the whole exercise; but if you are not in an occupational scheme and do not take out a personal pension, you will have only an inadequate state pension to live on after retirement.

When it comes to choosing, the golden rule is to forget about projections which are presented to you and are far too theoretical to be of any use. It is better to understand how your premiums are invested so you can get an idea of what you might expect from different types of policies.

There are, essentially, two types of personal pension plans – with-profits or unit-linked, although there are also cash-based deposit funds.

■ *Unit-linked*

You are most likely to be offered a unit-linked plan these days. Your contributions are invested through buying units in a selection of funds offered by the life company. Unless you choose a cash fund, units are bought at the offer price and sold (when you come to take the benefits) at the lower bid price.

The difference between the two is usually around 5 to 6 per cent to account for the cost of managing the fund and releasing the assets. There are no bonuses. But the trouble with unit-linked funds is that they depend mainly on stock market performance – and the aptitude of the fund manager. They are, therefore, considered somewhat riskier than conventional with-profits policies (see below).

But policyholders have flexibility because of the choice of funds available, and they can seek to lessen risk by splitting contributions between funds. For example, if you are nearing retirement, you could switch into a cash fund to avoid a last-minute market plunge.

■ With-profits plans

These contracts, which date from the 1950s, used to dominate the market but have been eclipsed by the sale in recent years of unit-linked and unitised with-profits pension policies.

Contributions are paid into a common fund which is invested in equities, property and gilts after initial charges are deducted. The "profits" are those that the fund manager is expected to make through his investment strategy. These are passed on to the policyholder as bonuses.

The life company guarantees to pay you a substantial sum at maturity. That amount is supplemented by two types of bonuses – annual and terminal. Annual bonuses (also known as reversionary bonuses) are declared each year and added to the contributions. Once the annual bonus is added to the guaranteed sum, it cannot be taken away.

When you come to take the benefits, a discretionary terminal bonus is added to the accumulated fund.

The size of terminal bonuses had been increasing until last year when many life companies began cutting them. Some industry observers believe they could disappear completely. Annual bonuses also are falling and are unlikely to be as high as they were in the 1980s.

■ Unitised with-profits

These are a new product in the industry. Over the past three years, around three-quarters of life companies providing conventional with-profits policies have replaced them with the unit-linked version, mainly because they are cheaper for the companies to operate.

Unlike a conventional with-profits policy, the life company does not guarantee a sum to be paid out at maturity. Your premiums are used to buy units, after which charges are deducted. Annual bonuses are added to the units.

■ Deposit

Cash or deposit-based plans do not have the long-term growth potential of equity-based plans but, if you are nearing retirement, you might not want to risk stock market investment. Interest on deposits is credited gross, instead of net, and you cannot make withdrawals until the time comes to take the benefits. The rates of interest paid are similar to base rates.

■ *Single or regular premiums?*

If you are in regular employment and expect to remain so you could opt for a regular premium contract.

If your independent financial adviser (IFA) works on commission, you are likely to be recommended a regular premium contract, mainly because the commission is higher than on a single premium contract.

Make sure you know which type of contract you are being sold – there are still cases where people who think they have a single premium contract realise too late that they were sold a regular premium contract.

Commission on a single premium contract is unlikely to be more than 4 per cent, compared with as much as 60 per cent of the premiums you pay in the first few years on a 20-year regular premium contract.

With the latter, commission usually is paid to the salesman at the beginning of the policy term, and the expenses to the policyholder are spread over the term of the contract. This means that if you have to cash-in the policy early, the expenses of the commission will have to be taken out of it – and your returns will be much lower than you expected.

Charges are lower at the few non-commission life offices, including Professional Life and Provident Life, and with the few providers of unit-trust pensions, which include Fidelity and Gartmore.

Single premium contracts are more suitable for those with fluctuating earnings or younger people who might expect to join an occupational scheme later in their working life. They also have the advantage of allowing you to spread risk by taking out a series of single premium contracts with different life companies.

■ How to choose an insurance company

Do not let yourself be sold a pension. Pensions are a personal and complicated area and it is important to have the best advice available. For this reason, Don Hall, of the Occupational Pensions Advisory Service, recommends going to a fee-based IFA specialising in pensions.

But beware of fee-based IFAs promising to rebate you the full Lautro commission – they may pocket the difference between the Lautro rates and much higher actual rates. Avoid, too, the advice of a "tied" agent who sells the products of one company. His range is limited, and he will often earn more in commission than an IFA for the sale of the same product. In the end, it is you who are paying the commission.

Working out the charges on individual policies is a notoriously complicated affair because of the industry's obduracy in making its charging structure transparent. In general, your choice must be based on a combination of performance, low charges and good administration.

Look at the top six or seven companies over at least five years and then check if their performance has been consistent over longer periods.

Money Management magazine published its annual performance tables this month. Offices with a consistent performance over five, 10 and 15 years on the with-profits side (regular premiums) include Co-Operative, Pearl Assurance, Norwich Union, Commercial Union; and (single premiums) Clerical Medical, Pearl Assurance and Scottish Life.

On the unit-linked side, consistency of performance is harder to detect, but companies which feature in the top five include M&G over 15 years, Irish Life (over 10) and Premium Life (over five).

The survey shows that, in general, the performance of with-profits policies are better than those of unit-linked policies, particularly on regular premium contracts. But when the October 1987 stock market crash falls out of the five-year performance tables and if cuts in bonuses continue, there could be a reversal of fortunes in the performance of the two types of policies in the future.

MINDING YOUR OWN BUSINESS/FINANCE AND THE FAMILY

The repossession man who boards sinking ships

*Simon Lyon-Smith tells **Keith Wheatley** about bankruptcy at sea*

FOR AN owner, much worse things happen to ships than simply sinking. They can be arrested for debts – even small ones – and prevented from trading their way back to solvency. A main engine failure can cripple a small ship financially in a way that dwarfs the effect, say, of a similar breakdown on a truck.

With European freight volumes low and rates at rock bottom, a good many banks are finding themselves reluctant shipowners. Owner-skippers, often a romantic and commercially unrealistic breed, are tying their ships up and walking away from the debts. The more brazen simply stop making payments on their marine mortgages and find themselves face-to-face with Simon Lyon-Smith, a specialist in the arcane business of marine repossession.

"You used to be able to borrow 100 per cent against the right ship. A lot of skippers want to stop being a maritime lorry-driver and be their own boss," said Lyon-Smith. "It's a dream to them to be a ship-owner – until you've been one and then it's a full-scale nightmare."

He speaks from the heart. Eight years ago, aged 25, he took a gamble on an old ship and made a fortune plying European ports on sky-high freight rates in the wake of the British miners' strike. One ship became four – all on bank finance and all old and cheap. While the luck held, Lyon-Smith seemed to be the archetypal 1980s success story. He had gone to sea at 15 with the long-established Exmouth coasting firm of Watts, earning first his mate's and then his master's ticket.

His time as a ship owner ended with a series of engineering calamities and a shortage of work for the ships still at sea. The banks foreclosed. "Explaining to the crew on Friday that you can't pay their wages or get them home. It's horrendous," he said. "We're seeing it all the time now but you just can't act like that."

Lyon-Smith was declared bankrupt with liabilities of just under £500,000. "We lost everything. House, car, savings," he admits with complete frankness. Even amid the wreckage of his business it grieved him that the banks were unable to obtain decent prices for the ships, which were after all their security for loans.

Now he is a poacher-turned-gamekeeper; a "marine repo man" acting for banks who are often all at sea and out of their depth. But Lyon-Smith also has a mission, to reverse the banks' simple desire to sell the asset at any price and demonstrate to them that shipping can be profitable and has a future.

"I don't want to take the attitude that it's just another bank who've made another silly blunder. I want to show that you can make money running ships," he says.

So, the bank becomes the owner and Lyon-Smith manages the vessel. At worst the income should pay the interest on the loan and, most important, the chances of a viable sale increase. According to Lyon-Smith any tonnage sold lying tied-up and idle is worth around 50 per cent less than a ship under charter and trading.

British coastal shipping as an industry is in sorry decline. According to the National Union of Marine Aviation and Shipping Transport Officers there were 546 British-registered small coasters in 1975. This fell to 42 last year and, says Lyon-Smith, is now even lower.

Yet, unlike steam locomotive manufacture, this is not an industry about to wither and die. German and Dutch small freighters still crowd north European harbours. Their governments, says Lyon-Smith, have for a decade subsidised the building of modern, efficient ships. If Britain could weed the over-mortgaged junk out of its fleet it might be on the beginnings of the road back, he believes.

"The older ships, more than about 15 years, I don't recommend that the bank even move them from the quay," he says. "We've got clients in the Middle East and West Indies that will take them as long as they're floating. The key thing then is to get the newer units trading again."

Floating asset: Simon Lyon-Smith with one of the ships he has repossessed

The analogy with houses is clear. Building societies have found to their chagrin that repossessed homes, empty and neglected during the legal process, have to be sold at auction for a fraction of their value. Even in the current market, a well-presented, maintained family home is still saleable.

Banks have been pleasantly surprised – a couple amazed – that of four recent repossessions Lyon-Smith has been able to recover 100 per cent against three loans and 75 per cent on a more difficult case.

Lyon-Smith also works as a consultant to vet fellow seafarers with stars in their eyes about buying an old ship and plying the coastal trade.

"I had a fellow the other day, early 40s, secure job as a captain with a blue-chip ferry company, high salary and he wanted to mortgage his house and invest his life savings in buying an old ship. I hope I talked him out of it," said Lyon-Smith.

"British shipping as an industry is in a disgraceful state but we have to live in the world we're in. If my experience can prevent a few more disasters and show the financial boys that shipping is not inherently loss-making and unsuccessful then something good has come out of it."

■ *Simon Lyon-Smith, Exeter Shipping, 0392-860845.*

Computing/**Jean Miles**

Face the truth about your portfolio

MISTRUSTFUL of professional advisers, still more so of my own judgment, as an investor I hold an uneasy course between churning our portfolio to death and letting it wither away from neglect. I have recently found that a heavyweight portfolio management computer program can be a powerful aid to decision-making, although no substitute for it.

By "heavyweight" I mean a program designed for financial professionals: one that can handle many portfolios, drawing information (such as prices and dividend rates) about individual companies from a common pool; that can deal with a large number of individual shares and store as much data as I might need about each; that can receive data automatically via telephone lines. Reports, on the computer screen or printed, can display any selection or combination of data. Dividend lists, with tax credits, can be produced for a tax return; so can a statement of indexed capital gains and losses, actual or unrealised. There will be a wide variety of graphs, simple and sophisticated. A cash account can be kept with each portfolio.

I tried two widely-advertised programs in this category. Both satisfied the job description. Synergy's ShareMaster Professional is austere, apparently meant exclusively for professionals. JSL Software's Fairshares Plus is friendlier: it is also much the cheaper.

What does such a program have to offer someone like me (roughly, the Little Old Lady market)? To begin with, I was surprised at how educational using Fairshares was: to provide the information the program wanted, I had to dig in annual reports, and pay attention to interim results announced in the newspapers. That was valuable in itself, and in return Fairshares taught me more in the way it organised my information and reported it back to me. Facts too easily glossed over are clearly there to be faced.

A strength of Fairshares is its kindly way of using what it already knows to interpret and amplify what you are telling it, even as you work. When you update share prices, the screen immediately shows the percentage rise or fall in each price or index over one week, two weeks, and eight weeks: and the intervals can be changed, if you prefer.

Even better: as you enter purchases and sales of a share, the screen shows the average price you have paid for all the shares in your holding and the current value of the holding. It also shows the indexed cost of the holding. It is all too easy for a practised self-deceiver like myself to evaluate the performance of a long-held share through rose-tinted spectacles. Some of our old stagers have acquitted themselves nobly. In other cases, the indexed cost was an eye-opener.

The transaction list was also revealing. We tend to take up rights issues unless we know the company actually has the bailiffs at the door, and we often accept shares in lieu of dividends. It is easy to overlook how much we are putting in to the portfolio in these ways: Fairshares presents an itemised account of how much we have put in (or taken out) since a chosen date, with a note of the percentage by which the portfolio has changed in value over the same period, apart from the additions and subtractions. Interesting.

Fairshares offers a comprehensive scheme of graphs: of single shares and of relative strength, of volume traded and of the "Coppock Index", to mention a few. There are also bar charts showing the relative weights of the stock market sectors represented in the portfolio, or of the geographical areas involved. Capital gains or losses since purchase, and percentage price changes from any date to any other, can also be shown in order.

Fairshares offers a variety of ready-made reports for printing, with the option of tailoring others to your own requirements. Furthermore, the computer's "print screen" key remains functional in this program, so that any display can be printed without fuss.

Indeed, I could not think of any question to ask about our portfolio which Fairshares could not answer.

To keep indexation right, you must add each new figure for the Retail Price Index as it as announced. You must also type in changes in tax rates and bands, so that tax credits will be calculated correctly. More fundamental changes in the rules for calculating capital gains tax would require an update of the program.

Mistakes are easy to correct, and it is easy to start off with a minimum of information and fill in more as you go along. The manual is good, and well-indexed.

My only grumble about Fairshares is that it allows only one classification of shares. The program assumes you will want to classify shares according to the sectors of a *Financial Times* listing, although you can replace those sectors with anything else you like. I would have preferred to keep the *FT* sectors *and* have another means of tagging shares, so that I could lump the privatisation shares together, for instance, or consider the performance of recent acquisitions as a group.

Worth the money? For serious traders, certainly. Not a bad idea, either, for Little Old Ladies who want to know what's going on.

■ *Fairshares Plus costs £150, inc VAT, from JSL Software, Hallmark House, 97 East St, Epsom, Surrey, KT17 1EA; 0372-742526. They offer a demonstration disk for £5, deductable from later purchases. Automatic price updating requires further hardware and software, which JSL supplies.*

■ *ShareMaster Professional costs £595 plus VAT from Synergy Software, Britannic House, 20 Dunstable Rd, Luton, LU1 1ED; 0582-424282.*

Demand for back tax

IN THE *Weekend FT* recently, there was an article headlined "Cash in on Uncle $am." Under the section "Currency funds," it was stated that interest can be rolled up so that tax is postponed until income is bought back into the UK.

In November 1985, I bought some shares in the Kleinwort Benson International Income bond fund. As requested at the time, the purchase was entered on that year's tax return. But as income received each year was rolled up in the form of further units, no declaration of income has been made on subsequent tax returns.

I have now been told by the Inland Revenue that the rolled-up interest should have been declared each year, and payment of tax at 25 per cent is being demanded together with interest due to late payment.

■ First, we must point out that your investment in an offshore unit trust is quite different from an offshore deposit account, so the brief remarks in Philip Coggan's article have no relevance to your tax position.

One message we have tried to convey over the years is that the British tax system is complex and arbitrary, and that there is a sophisticated armoury of anti-avoidance legislation. Nobody should invest offshore in the hope of avoiding (or deferring) UK tax liabilities without checking tax law thoroughly; the cost of professional advice can be less than the interest and penalties which an investor faces if he fails to understand the rules.

On the bare facts of your case as outlined, the Revenue appears to be correct. (This reply is based upon the assumption that, as well as being ordinarily resident in the UK, you are domiciled in either England, Wales, Scotland or Northern Ireland).

Confusing advice

I AM receiving conflicting advice over pensions. In 1981, I became self-employed and started a pension policy with Equitable Life. This policy is funded to the maximum allowed by the Inland Revenue.

In February this year, I took on a full-time job in addition to my self-employed work, and I joined my employer's superannuation scheme. This scheme is funded 6 per cent by me and 9 per cent by my employer.

Equitable tells me that I cannot continue to subscribe to my policy there as well as my employer's scheme, but others tell me I can have a pension for each of my employments.

■ If you belong to one employer's pension scheme but also have a second job with a different employer which is non-pensionable, or if you have freelance earnings, then it is usually possible to obtain tax deductibility on personal pension contributions for the this second job or freelance earnings.

Most of the problem areas we have examined seem to have arisen where second-job or freelance earnings have been received from the same organisation that pays the salary for the first, even if the contractual relationships with the organisation are totally unconnected.

We suggest that you set out in writing the source of your separate non-pensionable earnings, showing their separation from your pensionable employment, and ask the Equitable representative to refer your case back to his head office. If need be, you can yourself approach your local inspector of taxes.

Reclaiming losses

I AM an American and a Lloyds's Name, with losses on the 1989 account. I reside in the UK but am domiciled in the US. My only sources of income available for offsetting the losses are dividends from UK companies.

Under US tax law, the 1989 losses are offsettable against passive (investment) income arising in 1992 (not 1989, as is the case in Britain) and may be carried forward indefinitely against any income. I understand that, under UK law, they are offsettable against any income of 1989/90 which is now exhausted, and may then be carried forward only against future Lloyd's profits.

I need to know how to reclaim from the US government the 25 per cent tax credits on UK dividends (and any higher-rate tax which I pay) arising in 1992/93 and subsequent years under the US/UK double tax treaty.

■ Unfortunately, you have misunderstood what you were told about the tax relief available under US law. The IRS will give you relief for the Lloyd's losses against your potential US tax bill for 1992 (et seq): they will not give you any refund of UK tax or any UK tax credits in cash.

Turning now to your UK tax position, perhaps we should mention the possibility of terminal loss relief (under section 388 of the Income and Corporation Taxes Act 1988). We can do no more than mention this possibility because we cannot tell from the limited data whether you are, in fact, eligible for relief under Section 388.

If you have no accountant looking after your UK tax affairs, it might be that your Lloyd's agent can give you some guidance through the tax maze.

Pension for a wife

I WAS divorced in 1984 but the decree nisi was never made absolute. Am I still married and entitled to my husband's pension rights and occupational pension?

■ You should where consult your own divorce lawyer about the overall situation. But on the more general point about your rights under your husband's occupational pension scheme – and you do not say if this is a company plan or a self-employed/personal pension policy – we can say this.

If you are still married legally, there is a possibility that you remain entitled to a surviving widow's pension under the rules of your husband's company pension plan (if his plan is one of these and if he dies before you). Some plans allow the trustees to pay a survivor's pension to a dependent other than the legal spouse if the dead member has expressed such a preference by letter or in an "expression of wish" form to the trustees.

The Pensions Management Institute is conducting a major national enquiry into the problem area of pensions in divorce with a view to making formal recommendations for legislation to the government. It is looking for comments, recommendations and well-presented case histories in order to ensure that its study is as comprehensive as possible. Its address is: Pensions Management Institute, PMI House, 4-10 Artillery Lane, London E1 7LS.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Conflict of interest?

MY EMPLOYER has never had its own pension scheme but has always had an arrangement that, if an employee pays up to 10 per cent of his gross salary into any reputable private scheme, the company would reimburse half the payment through payroll.

Recently, a director who is in charge of recruitment has insisted that new employees direct their pension payments through a broker based in a small West Sussex town. This director lives in the same small town.

As we have a desperately high rate of unemployment in our particular industry, new employees are accepting this condition, but with extremely bad grace.

Is this action legal, or ethical? Can a director interfere in private schemes this way?

■ Although we cannot be certain from the facts in your letter there is a possibility that your director and/or the broker may be in breach of the Financial Services Act, particularly if the director either has a financial interest in the broking firm or is receiving some form of benefit (such as a share of commission, corresponding rebate on his personal business, etc). Thus, there might be some merit in drawing this matter to the attention of the appropriate regulatory body.

The broker's letterhead should state the regulatory body to which he belongs (eg, FIMBRA). If you or any of your colleagues has dealt with an independent financial adviser, you should ask him to raise this apparent malpractice with the regulatory body and request an explanation.

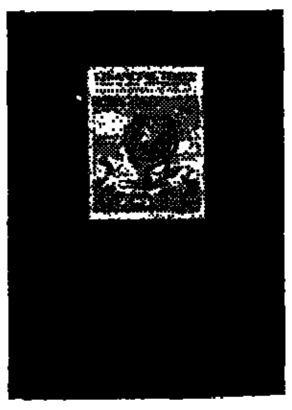
He should be able to do this as a matter of public concern on a no-names basis – ie, without having to embarrass any of you.

Essential Christmas Luxuries

FT BROCHURE GUIDE

Essential Christmas Luxuries

FT BROCHURE GUIDE



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HOW TO SPEND IT

Jonathan, Sophie and the perils of the falling pound

Sterling crises, credit binges, a huge bill — what is a gal to do? Buy British, says ***Lucia van der Post***

Top: pure wool cardigan by Marian Foale, in lots of colours including this season's red, £150 from 13-14 Hinde Street, London W1. Above: cashmere twin set by Ballantyne, £330 for the cardigan, £250 for the pullover, in a range of colours, from Ballantyne Cashmere, 153 New Bond Street, London W1 (p&p £4)

MY FRIEND Sophie is not usually given to spending much time pondering the problems of ERM, economic convergences and the like, but currently these matters are furrowing her perfect little brow.

From her aerobics-honed, Dior-clad legs to her chic and shining bob, Sophie looks expensive. Sophie IS expensive. She lunches at San Lorenzo's or Le Caprice, buys jackets from Chanel or Valentino.

As for shoes, at the moment she is awfully fond of her dear little £200 Stephane Kelian boots, and if she needs something new will often run into Robert Clergerie to see what he has to offer. To some £200 might seem extravagant but when you have Sophie's . . . well, taste and refinement were the only words that came to mind . . . then the other choices scarely bear thinking about.

Then there's her clutch of Prada handbags which she uses when she feels that the padded ones with the interlocked Cs may look just a *little* obvious. Her watch (a present from Jonathan on that first trip to Paris) is by Boucheron, her pearls by Mellerio and round her groomed trim person there swirls the tantalising, elusive smell of Shalimar. No vulgar New World sock-it-to-'em power scents for her.

Sophie, however, is worried. As she toys with her bold and witty gilt belt — she had rushed into the new Lacroix boutique the very day it opened and couldn't resist it — the matter of her last trip to Paris is beginning to prey on her mind. Jonathan had been distinctly tetchy when last month's credit card bills came rolling in and any minute now the bill for Paris would be arriving.

The Chanel jacket which had seemed extravagant enough at FFr12,000 was going to emerge on the credit card bill at somewhere round £1,440 instead of the £1,200 she had calculated. There had been the new winter coat (oh, such a delicious shade of blue) from Lagerfeld, the Prada shoes, the Hermés handbag . . .

Well, Sophie, take heart. Resolve to turn over a new leaf. I know you were *so* hoping for something from dear Karl's first collection for Chloe but there are, believe it or not, some alternatives, much nearer home, which can be bought in poor old devalued pounds.

First, do try and remember that labels are very, very '80s. Try and be a '90s person. The '90s are all about caring, ecology, quiet refinement, about quality without ostentation. Take it from me: labels are OUT, OUT, OUT.

Scarves and scarf-print shirts are all the rage. Take a look at English Eccentrics and I think you *will be happily surprised.* Luscious creamy silk, heavenly colours, prints that are both bold and subtle. But best of all has to be the price — the shirts are £295, the scarves, £89 (you *will know better than anybody* that at Hermés the shirts are £750, the scarves £129).

I know, Sophie, that you are addicted to subtle French perfumes — and being a Shalimar addict I sympathise — *but at* £44 for 100ml of *eau de toilette* and, grrr, £180 for 60 mls of the *parfum* it is good to know there are other options. All the sweet, old-fashioned single floral notes are very "in" and nobody does them better than Penhaligon's and Czech & Speake. Look out for Penhaligon's Lily of the Valley, Bluebell, Gardenia, Violetta, Orange Blossom, for Czech & Speake's Mimosa, Rose and Neroli. And don't forget Floris — old-fashioned, traditional, understated, classy. Try Stephanotis, another single-note floral, or Zinnia or Edwardian Bouquet, (£28.50 for 15ml of perfume, £32.50 for 200 ml of toilet water). I think the prices will please Jonathan.

Talking of Jonathan reminds me — remember Geo f. Trumper, whose clutch of colognes and aftershaves are among the classiest in the world. Extract of Limes, Wellington, Curzon, Marlborough — nostalgic names, nostalgic prices — from £11.25 to £17.40.

When it comes to shoes I am sure you will agree there is hardly anyone to beat Manolo Blahnik for sheer glamour, but Jonathan would not approve of the prices. So take a trip to Emma Hope, to Johnny Moke, to Patrick Cox. At Gina Shoes, 42, Sloane Street, Knightsbridge, London SW3 three of London's best shoemakers — Gina, Jimmy Choo and Emma Hope — now sell their wares under just one roof.

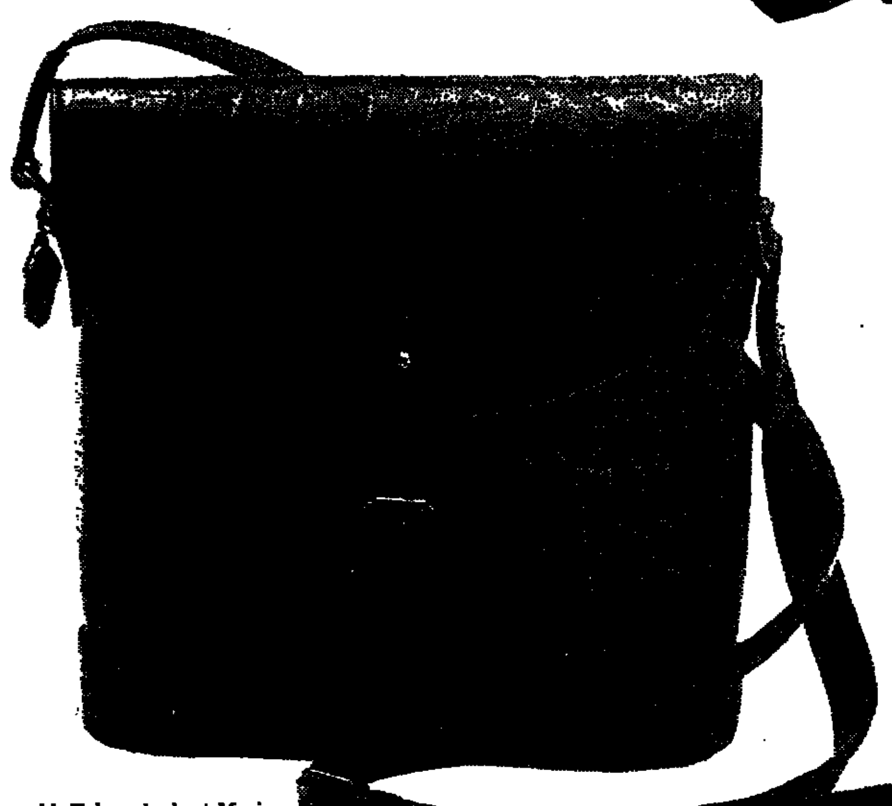
For the new caring '90s, knitwear is the thing — ecologically sound, so much softer than all those sharp jackets. Here you are in luck, Britain has the best knitwear in the world. Take a look at Marion Foale, at Nicole Farhi,at Joseph, and then there is always cashmere which has fallen steadily in price over the last two years.

John Smedley has become a cult name, sought after by the world's most discriminating shoppers as well as top houses such as Hermés, Comme des Garçon, Ralph Lauren. Take a look at the new secondskin range — simple but sophisticated and all in the fine-gauge wool John Smedley is so famous for.

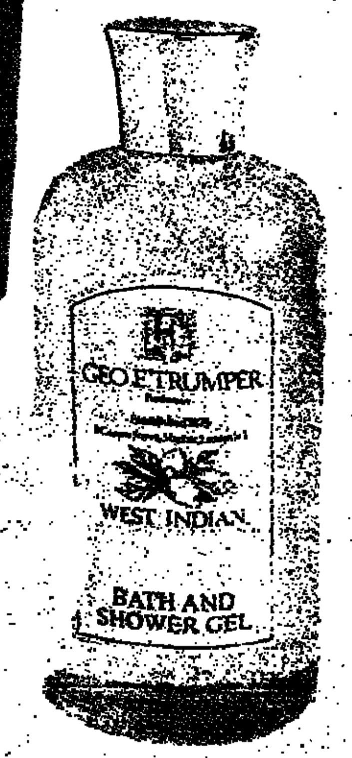
When it comes to handbags there is a problem. Britain has not produced a must-have number since the fashion set took a fancy to proper cartridge bags. There are names that are high on quality but less alluring when it comes to design and others that have sassy designs but whose quality is suspect. For sloping into supermarkets or for weekends in the country you couldn't do better than Mulberry. Bill Amberg (The Conran Shop has a good selection) is another name to look for. I know they aren't quite the thing for swirling at The Caprice but they have an appealing sturdy Englishness that makes a nice change from your sassy foreign numbers. And once again you will be happily surprised by the prices.

So, Sophie, the falling pound need not spell sartorial disaster. British products may not shout so loudly as their continental equivalents but they have a life, a personality all their own and by and large they are a whole lot cheaper. *Vive*, say I, *la difference.*

Above, heavy silk scarf-print shirt from English Eccentrics, just one of a wonderful range featuring images from a mythical past, often with alchemical references as well. £297 from a selection at Liberty, Harvey Nichols and Matches in Wimbledon, London SW19



Above: the binocular bag in brown or black Congo-stamped leather, £195 from Mulberry shops everywhere including 11/12 Gees Court, London W1



Above: John Smedley's fine-gauge merino wool three-button shirt, £59.95 from big department stores and menswear shops. Right: from Floris, teak bath bowl and soap, £45.50, and whisk, £12. From Floris, 89 Jermyn Street, London W1, Harrods, Peter Jones, Selfridges, John Lewis and Harvey Nichols Right, top: cool, classic cologne, No. 88 by Czech & Speake, from £13.50 to £59 from Czech & Speake, 39c Jermyn Street, London SW1, and the new shop at 125 Fulham Road, London SW3. Below: Penhaligon's bluebell bath oil, £28 for 200 ml from Penhaligon's shops, 41 Wellington Street, Covent Garden, London WC2 and branches.
Far right: from Geo. F. Trumper, Extract of Limes, £4.40 for 200 ml of bath and shower gel. From Geo F. Trumper, 9 Curzon Street, London W1, 20 Jermyn Street, London SW1

FOOD AND DRINK

A wine drinker's guide to the currency markets

***Jancis Robinson** tries to make the best of the exchange rate debacle*

JASPER MORRIS, of fine wine importers Morris & Verdin, is one of the more exasperatingly cheerful members of the London wine trade. In the past few weeks however, even he has been sounding as though someone forgot to wind him up.

He is currently paying for rather a lot of 1990 burgundy priced when the pound was worth nearly FFr10 and has also had to issue a new wholesale list which will earn him neither friends nor profit. In Colchester meanwhile, Lay & Wheeler's man about France has been spending his days chez the local printer, painstakingly adjusting columns of prices on his firm's new list.

Wine merchants are in the front line of the exchange rate debacle. What they sell is almost 100 per cent imported, notably from France and Germany, countries with expensive currencies nowadays. Here are some of the likely and possible effects, with some suggestions as to how to make the most of this miserable situation.

■ French and German wines bought recently are the worst affected, which effectively means the younger, less expensive bottles on sale in November and December (although champagne will not look any cheaper).

■ That said, the 1992 vintage in France and Germany is plentiful, if not invariably superlative, so this should ease cellar door prices soon and smooth out some of the currency-related increases. Don't worry, folks, we can still give you your £1.99 Liebfraumilch!

■ Most major retailers are hanging back before issuing their all-important Christmas prices. The supermarkets may decide that wine profits are worth sacrificing in order to lure customers away from the specialist wine shops whose pips are squeaking most plaintively.

■ This is a great time to buy fine wine (and fine art, antiques, houses... and anything else you cannot afford). Most fine wine was imported long ago and is now a sterling commodity. Good guys like Jasper Morris are even responding to the almost negligible movement in the fine wine market by reducing prices at this top end.

■ The good news is that wines from Italy, Spain and Portugal should not cost any more (there are healthy signs of a return to sanity in even the most image-conscious Italian producers).

■ This could be just the fillip that the English wine industry desperately needs. Look for any wine made by the skilled Australian winemaker at the Harvest Wine Consultancy near Reading (0734- 340176). They include Thames Valley, Boze Down, East Mersea, Moorlynch, Pilton Manor, Sharpham and Wickham – so far. They may taste more New World than English, but that may be no bad thing. (Waitrose, Safeway and the Co-op are trying particularly hard with English wines.)

■ And New World wines themselves should not suffer too many price rises. The British love affair with all things vinous and Australian looks set to continue (see accompanying box).

An Australian alternative

OLD BLOCK Shiraz may not be the only wine to be marketed as a bargain alternative to Penfolds Grange, Australia's famously rich red "first growth", but it will almost certainly be the most successful. It is the brainchild of larger-than-life Bob McLean who was trained first at Reckitt & Colman's South Australian wine operation Orlando (they who siphon off Jacob's Creek), before moving uphill to Petaluma, the archetypal Australian "boutique" winery now in the throes of a public flotation.

In 1988 he bought in to the then moribund Barossa Valley winery St Hallett, determined to make Old Block Shiraz its flagship. Not content with St Hallett's original Old Block, he started buying up every parcel of grapes fromancient Shiraz vine stumps that could be wrested from Penfolds' grasp, so that Old Block may now come from as many as 20 different old Barossa vineyards and counts its production in thousands rather than hundreds of cases.

These vines may be anything from 82 to 145 years old (although heaven knows who keeps those vineyard records of 1847), producing almost uneconomically small lots of exceptionally concentrated wines that are aged, separately, in American oak casks just like Grange. The result is a deep, almost porty red of unashamedly broad Barossa characteristics – like a softer, very slightly lighter Grange.

The promisingly hefty 1990 vintage is expected in the UK any day now while the exciting 1989 vintage is still in circulation for under £9 at the Australian Wine Centre, London WC2; Adnams of Southwold; Ben Ellis of Surrey; Lay & Wheeler of Colchester; and Winecellars of London SW18.

The pre-McLean 1987 tastes gorgeous now and suggests that this is a wine that, despite its come-hither appeal in youth, is worth keeping well past its fifth birthday.

Other Barossa Shirazes made to the same Grange-like specifications somewhere midway between Hermitage and young port include Charles Melton's Nine Popes (which includes the Grenache grape, like Châteauneuf-du-Pape – geddit?) and Rockford Basket Press, also sold at around £8 by Adnams of Southwold, as well as Peter Lehmann Shiraz and Penfolds' own bargain imitation of Grange, Kalimna Bin 28, both widely available for well under £6.

The sensational 1986 vintage of Grange sells for just under £30 a bottle.

Proprietor Cyril Gardner purrs over his hotel like a cat over its kittens

Nella Obee

Grand Hotel/**Kieran Cooke**

Yes, nice one, Cyril

A CHAP called Tigger Stack Ramsay-Brown, MC, had the good taste to stay at the Galle Face. So did Lord Mountbatten. And Pandit Nehru. And Laurence Olivier. And the Maharishi. And Bo Derek. And me.

Some are murdered with migraine. Some are banjaxed by bunions. Jet lag is my particular purgatory. Even a London-Dublin flight leaves the body reeling and in need of urgent resuscitation – thankfully, a commodity available easily in the Irish capital. But a flight to the other side of the world, especially going east, means at least a week of sleepless, nauseous nights and fatigue-filled, dazed days.

The Galle Face is the antidote – a venerable, fusty pile of an hotel coming up to its 130th birthday, perched on the shores of the Indian Ocean in Colombo, Sri Lanka.

The anti-lag plan is simple. Go to Heathrow airport. Board, drink three gallons of orange juice, sleep. Wake up, get off in the Gulf and stretch the legs. Back on board, tease the system with a Sri Lankan-style curried breakfast and, in a dip of a wing, fly into Colombo. Go straight to the Galle Face. After a suitable interlude, which might last several days, proceed on your journey, ready to meet the frenetic east head-on.

Cyril Gardner is the owner/proprietor of the Galle Face. He admits his establishment has certain shortcomings: the water runs brown occasionally. When it rains, the roof might leak. The lights might blink a bit. The teak floorboards creak. Phones are not one of the Galle Face's strong points.

"I always describe my hotel as more like a cream caramel than a fancy wedding cake," says Gardner. "It is imperfect, we all know that. But it is rather special."

Gardner purrs over the Galle Face like a cat over its kittens. He inherited its stewardship from his wife's family, the descendants of Dutch burgher settlers. Not so long ago, there were 600 staff. Now, there are 200. "You will notice many of them are elderly. I have tried to make economies but no one has ever been sacked," says Gardner.

To some, he might seem a trifle eccentric. There are signs at every turn: "Please use the stairs – it's much healthier," and "Please don't smoke in the bed. The ashes we find could be yours." Gardner admits his hotel is not everyone's cup of Ceylon tea. "If people want business centres or all manner of leisure activities, they should go elsewhere. People come here to relax. There's no better place for it."

When I was last at the Galle Face, there were few guests. The slurp of Brown Windsor soup echoed across the dining room. Blink, and a bevy of waiters was at the table.

One evening, at sundowner time, a black storm came galloping in from the Indian Ocean. The tables did cartwheels across the verandah. Waiters struggled to hold trays aloft while trying to stop the wind from blowing up their longis. A German priest read a comic. A lady who looked like Miss Marple ate a cream bun.

Several astronauts have touched down at the Galle Face staying in bedrooms big enough to accommodate a galaxy. One of the hotel suites, the King Emperor, has what is believed to be the largest lounge of any hotel bedroom anywhere. All for a fraction of the cost of the anonymous chocolate-on-the-pillow-type hotels which litter the world.

So far, the Galle Face has resisted takeover attempts. "What would new owners do with my boys?" said Gardner, pointing to two grey-haired waiters. "They have been with the Galle Face all their lives, and their fathers before them."

In a perfect world, imperfect hotels like the Galle Face would be left alone. A special fund would be created to keep the Philistines at bay. No piped music would be allowed. Receptionists would be forbidden from saying "Have a nice day." Noel Coward would bounce *bon mots* about on the verandah. The Maharishi would sit on the sea wall, lost to the world. Tigger Stack Ramsay-Brown, MC, would dance with Bo Derek.

And I would sit by the hibiscus, never again to climb aboard a plane.

■ *The Galle Face hotel, Colombo, Sri Lanka. Tel: Colombo 541010-6, fax 541072.*

Cookery/**Philippa Davenport**

Cabbages fit for kings

RED, white and green. In the beginning, that was how I thought of cabbages: typical of the dismissive British attitude to vegetables, I suppose.

When I escaped the boarding school habit of serving vegetables killed by drowning, I began to appreciate the differences between various varieties; the seasons for each, their different textures and tastes – Savoy, Primo, Christmas Drumhead, January King, Spring Greens, Curly Kale and so on.

Later still, I rejoiced in the arrival of Chinese Leaves in our shops. Pale, crisp and mild, this most unaggressive member of the brassica tribe is equally at home in stir fries and salads. It is excellent for stuffing and a joy for lazy shoppers because it keeps so well.

In Portugal, my brassica tastings were extended to include Couve Galegas, a national favourite which is more popular there than the leek in Wales. Every Portuguese market sells this long-legged, loose-leafed vegetable (often ready shredded for instant cooking), most gardens grow it, and no cook worth her salt would dream of letting more than a day or two pass without putting it on the menu.

Another lovely discovery is Cavolo Nero, which I found in Rosemary Verey's gardens at Barnsley House*. This is a spectacular plant. Tall and upstanding, the long leaves arch from the stems on thick, white ribs. They are dark green and dimpled as deeply as a Savoy. The effect is most elegant.

Verey told me that she strips the ribs from the leaves, boils the greenery, adds butter and eats it like spinach. Indeed, she sometimes refers to the plant as Italian spinach.

Anna Del Conte – the expert to whom I turn with all Italianate queries – describes Cavolo Nero as having a pronounced but agreeable brassica flavour – slightly more bitter than many other varieties but lacking their intrusive, cabbagey smell.

She adds that, in its native Tuscany, Cavolo Nero sometimes is just sliced across very thinly, boiled (it might take 15-20 minutes to become tender) and served with a good drizzle of fruity olive oil, plus a squeeze of lemon juice if liked. More often, it is cooked with pork in rich and nourishing stews or used in soups, of which la ribollita, *the* bean soup of Tuscany, is the best known.

Here is Del Conte's recipe for *la ribollita* as taught at her Taste of Tuscany cookery school and adapted for cooks who cannot lay hands on Cavolo Nero.

LA RIBOLLITA
(serves 6-8)

Whether you finish the soup with onions or not, la ribollita should always be made a day ahead and reheated for serving, as its name implies.

Ingredients: For the beans – ½ lb dried cannellini beans, soaked overnight; 1 onion, cut into quarters; 1 small celery stalk; 3 garlic cloves; sprigs of sage, rosemary and parsley.

For the soup: 3½ fl oz extra virgin olive oil; 1 sweet (red or Spanish) onion; 1-2 dried chillis, seeded and chopped; 2 ripe tomatoes, peeled, seeded and coarsely chopped; 1 tablespoon tomato puree; 3 potatoes and 2 carrots, cubed; 1 leek and 3 celery stalks, cut into small pieces; the dark green outside leaves only of 1 small savoy cabbage, cut into thin strips; about ½ lb spring greens, cut into thin strips; 2 garlic cloves; 3-4 sprigs of thyme.

For reheating to serve: 1-2 sweet, red or Spanish onions (optional); 8 slices of bread; 2 garlic cloves.

Method: First cook the beans gently with their flavouring ingredients in a heavy pot with enough cold water to cover them by two inches, and 2 teaspoons of salt.

When tender, separate the beans from the liquid. Reserve 3-4 tablespoons of the whole beans and purée the rest using the coarse blade of a food mill.

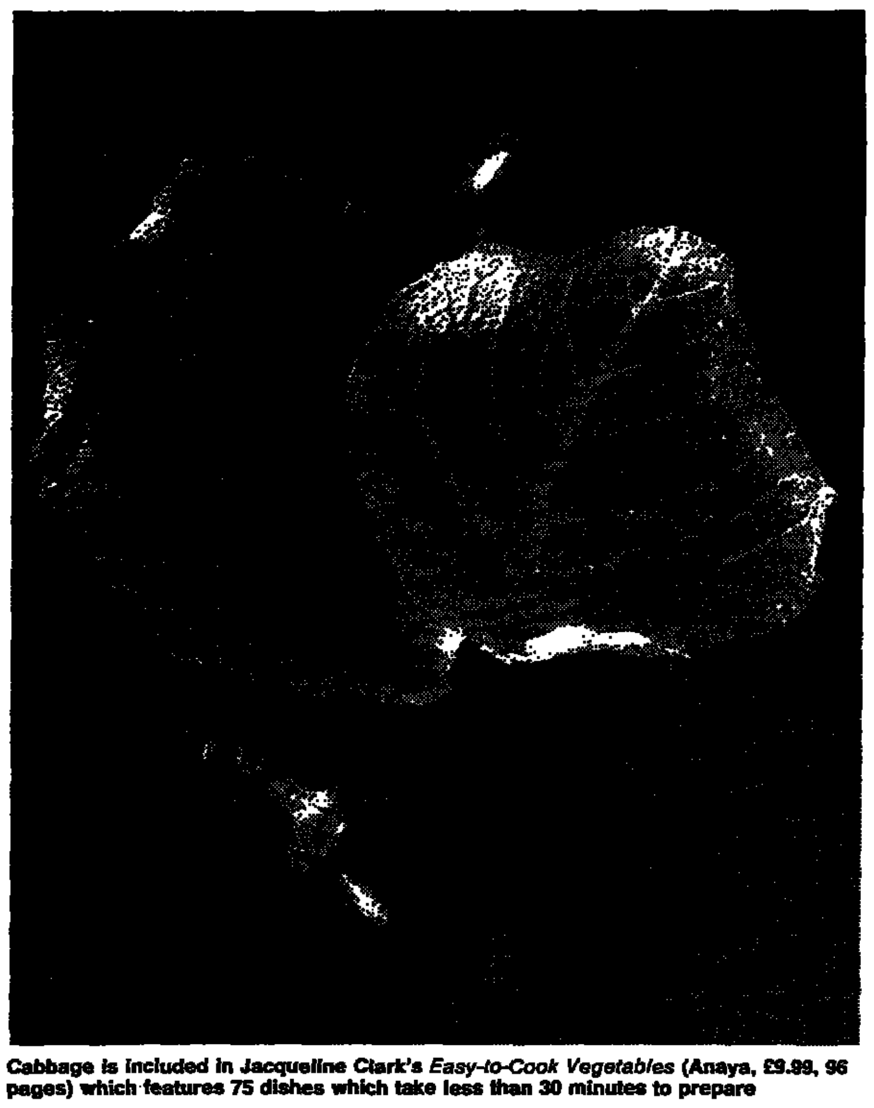
To make the soup, put into a heavy pot most of the oil, the onion, chillis, and a pinch of salt. Sauté for 10 minutes. Add the tomatoes and tomato purée and cook for 2-3 minutes. Add the bean purée and cook, stirring, for 2-3 minutes more.

Add the remaining vegetables and herbs. Pour on the bean liquid plus water as necessary to make 2 pints in all. Cover and cook over the lowest possible heat for about 2 hours. Season with salt and pepper and leave overnight.

Next day, slice very finely enough onions to lay over the surface of the soup; put the pot into the oven and cook at 350°F/180°C (gas mark 4) until the onion is tender, about 1 hour. (This step is optional; Del Conte suggests omitting it if you cannot find really sweet onions).

Rub the bread with the cut garlic cloves and grill it. Put the toast into soup bowls, ladle the reheated soup over it and dribble on the remaining olive oil. Serve hot, warm or at room temperature.

**Barnsley House Gardens, Barnsley, near Cirencester, Gloucestershire, are open from 10-6 on Mondays, Wednesdays, Thursdays and Saturdays.*



Cabbage is included in Jacqueline Clark's *Easy-to-Cook Vegetables* (Anaya, £9.99, 96 pages) which features 75 dishes which take less than 30 minutes to prepare

Her: wool duffle coat, £365, silk scarf, £69, both from Margaret Howell, Brook Street, London W1 and Beauchamp Place, SW3. Wool jacket, £260 from Austin Reed. Silk shirt, £99 from Episode. Wool trousers, £145, bag, £95, belt, £37.95 all from Mulberry, Gees Court, W1, Mulberry of Bath and Jenners of Edinburgh; accessories also at Fenwick, New Bond Street, W1. Beret by Kangol, £8.95, gloves, £49.95 from Fenwick. Tights by Jasper Conran for Aristoc, £3.99. Loafers, £24.99 from Hawkshead mail order (tel: 05394-34000).

Him: Loden coat, £204 from John Partridge, Dover Street, W1, Harrods SW1 and Farlows, Pall Mall, SW1. Tweed jacket, £255 from Hackett, Sloane Street, SW1 (from October 19) and New King's Road, SW6. Trousers, £75, wool cardigan, £105, from Burberry, Haymarket, W1, Regent Street, W1, Edinburgh, Glasgow and Aberdeen. Cotton shirt, £55, shoes, £110, both from Timberland, New Bond Street, W1 and Liberty, Regent Street, W1.

Italian men do it in style . . .

Avril Groom on UK dress inhibitions

THERE USED to be rules, mainly recognised by men of a certain social class, about town and country clothes. "Never wear brown in town" was the flip aphorism that covered a multitude of regulations so rigid that a Victorian gentleman would not dream of leaving his rural seat far London in a city suit.

Instead, he travelled in his country colours straight to his club, where he donned a sober frockcoat for business, then perhaps a newfangled suit for social calling and finally evening clothes for dinner. But this monochrome ritual never crossed the Channel: Continentals and Americans were not so inhibited in their dress and this, coupled with a large pinch of jingoism, made the man in the brown suit a model of untrustworthiness.

There is still a hangover from this attitude. Upmarket menswear companies which sell both in the UK and in Europe find the proportions of suits to smart sports jackets they sell reversed between London and Milan. Italian boardrooms are full of men in subtly-checked sport coats worn with crisply cufflinked shirts and smart loafers, and they feel themselves the equal of any dour grey suit. Woman also have their own image of what constitutes the working wardrobe: brown is OK, but it is never as chic as black or grey.

It all goes back, says Robert Gieves, whose family firm Gieves and Hawkes have dressed officers and gentlemen for 200 years, to Beau Brummell in the late 18th century. "He is thought of as a dandy but in fact he advocated very sober, rigorous dress," says Gieves.

"Perfect cutting and the best fabrics were set off by very simple designs in dark colours. It was a reaction among courtiers in the UK to the foppish dress of the French court, disgraced after the Revolution."

So it was Britain which first established the basic principles of good fashion design and then, sadly,

Continued on opposite page

Camelhair coat, £665, wool jacket, £485, wool trousers, £140, cashmere sweater, £159, all from Ballantyne, New Bond Street, W1. Silk scarf by Jackie Campbell, £52.50 from The Changing Room, W1, Claudi Sebire, SW6 and Emporio of Worcester. Earrings by Betty Jackson, £34.95 from Fenwick.

HAIR AND MAKE-UP BY BEVERLEY BROOKE

Gucciesque style on a budget

ONE THING you do not need to achieve the sleek, Gucciesque, town-into-country style is an Italian textile magnate's budget. So ingrained has this look become in global fashion that it has been copied, sometimes unwittingly, by every chain store in the UK.

It is rarely presented in shops as a total look. It is up to you to pull the ingredients together. So, to help you search through those forbidding rails, here are a few rules:

Start by deciding on a colour scheme, because the point of this style is that everything should blend smoothly. Stick to warm-toned and less obvious shades: they look more opulent than cooler neutral.

Decide how to layer your outfit. A simple, boxy, easy-cut short coat works for either sex, perhaps edge-to-edge or a parka for a woman, a duffle or pea jacket for a man. Fabric should be a soft-textured, wool mix – even a little cashmere content can be reasonably priced – or a muted check.

Under this can go toning knitwear in the same understated but elegant mood, perhaps with a plain cotton shirt as a base. You can make the look more formal by replacing the knit with a tailored jacket.

Armed with this plan you can track down the crucial pieces. Marks and Spencer has excellent plain knitwear and wool moufflon or flannel jackets for both sexes. Benetton has a range of knitwear and wool separates in pale, warm shades.

British Home Stores has upgraded its styling and has men's wool moufflon jackets at £65, soft pale parkas at £69.99 and a range of knitwear. River Island has good soft-cut trouser suits and a plain, rich-looking parka at £59.95.

For a younger version, Dorothy Perkins covers the field, from a blonde fake fur duffle coat at £125 to a muted plaid jacket at £59.99. Equally casual, Littlewoods' men's bargain prices include suede waistcoats at £24.99 and check shirts at £9.99. And the finishing Italian touch – the penny loafer or lace-up boatshoe – is widely available, for example from Asda at £24.99.

A.G.

FASHION

Continued from previous page

lost them in a welter of petty Victorian restrictions. Now the more cheerful European view is rubbing off on the UK. Firms such as Gieves and Hawkes, Burberry and, for woman, Austin Reed International or Ballantyne, whose first priority is the export trade, find the rich palette of autumnal shades which we think of as countrified now sells well in slightly more formal guise in the UK, too.

Not yet in the boardroom but certainly for smart-town weekends, the colours which tone with that continental favourite, loden, are in the ascendant, though you should choose with care. The khaki/brown/beige spectrum and the *hacking* jacket really need the country, and look as out of place in town as the yuppie cliché of a wax jacket over a city suit. The secret is to build up simple, toning layers in warm shades which might have come from a spice rack – *curry, saffron,* mustard, cinnamon and sage. Woman can add a dash of paler coral, mint or duck egg.

Anyone can go down a notch or two in formality by adding a little denim, suede or rugged backwoods checks for the faintly American "call of the wild" look that ironically seems now to have invaded most casual urban fashion. This practical, comfortable, warm autumn style can be put together from any level of the market, but for a lesson in how to do it, take a look at Hermès or Gucci. From their lofty European peak, they have decades of experience in effortlessly seaming town with country clothes. And you really cannot see the join.

Her: Blanket-stitched wool jacket by Paul Costelloe Dressage, £247 from Fenwick, Paul Costelloe of Amersham, Judy Graham of Cheltenham. *Suede* waistcoat, £85, stretch trousers, £54.95 from Laura Ashley. Cotton shirt, £14.99 from Hawkshead as above. Earrings, £6.95 from Fenwick. Boots, £89.50 from Russell and Bromley.

Him: quilt-lined wool short coat, £300, shoes, £110 by Timberland as above. Wool jacket, £135 from Blazer. Felted wool waistcoat, £139, *cotton shirt*, 105, *from* Nicole Farhi, NW3, Neckline, N10, Jonathan Trumble of Norwich and Earth Clothing of Belfast. Trousers, £185 from Hermès, New Bond Street, W1 and Sloane Street, SW1.

Her: Short wool mix coat, £130 for Oui Set. Tweed jacket, £99 from Laura Ashley. Knitted "body", £159 from Mulberry as above. Suede skirt, £395 from *Harvey Nichols* Collection, SW1. Earrings, £19.95, gloves, £49.95, from Fenwick. Tights by Aristoc, £1.99. Shoes, £200 from Gucci, Old Bond Street, W1 and Sloane Street, SW1.

Him: Short wool coat by Gloverall, £125 from Selfridges, Oxford Street, W1. Fine wool jacket, £395, wool trousers, £145, cotton shirt, £59, silk tie, £45, all from Gieves and Hawkes, Savile Row, W1. Shoes, £125, Russell and Bromley.

PICTURES: TONY BOASE AT BROWNS OF CAMBRIDGE

Lacroix: the man of mystery

AS CHRISTIAN Lacroix is the man who put the fizz into haute couture, turning it back into a fashion force to be reckoned with, you might expect any book by him to be innovative. And *Pieces of Pattern: Lacroix by Lacroix* (Thames and Hudson, £32) does not disappoint – at least visually. As a piece of design in which Lacroix took a leading part, it is a *succès fou*, printed in sections as bright and clashing as one of his summer dresses.

It is lavishly illustrated with collage-style photographs showing the eclectic cultural influences on the man, and his own sketches, both for collections and, in a cute monochrome style, of important memories, from 1960s hippies to his black-clad great-grandmother.

It will become a work of reference for students seeking to understand the inspirations of *this designer* who leapt to prominence, apparently from nowhere, five years ago. But as a read it is unsatisfactory, the title is well-chosen because the Pieces do not add up. A series of autobiographical sketches explain the influences but do *not illuminate either his character* or background. The mystery remains, presumably intentionally.

A.G

One of the fine drawings from Lacroix's book

SPORT AND MOTORING

Cricket/Teresa McLean

The politics of creating a neutral power

FIRST the problems of reconciling national and international government; then the national government's problems in forming national policies. Fate having thus prepared current affairs for cricket, on Tuesday the International Cricket Council announced National Grid Company's sponsorship of "third country", "neutral" or "independent" Test umpires in Zimbabwe and South Africa this winter.

Independence is a prerequisite of good umpiring. English counties used to take their own umpires to matches. There was so much trouble and strife that in 1883 they opted instead for a pool of "neutral" umpires, two from each county, to stand only in games where their own county was not playing. It was an immediate success.

The ICC, organisers of the new "neutral" umpire scheme, consider the latest plan no more than, as Chairman Sir Colin Cowdrey put it, "an experiment . . . a pilot scheme." It cannot be more because it is voluntary. The ICC has no power to enforce it. Three neutral umpires, "Dickie" Bird and David Shepherd (England) and Steve Bucknor (West Indies) will be on the tour of southern Africa.

Tomorrow Bird will become the first sponsored, neutral umpire in Test match history. Previous neutrals, notably Jack Hampshire and John Holder in Pakistan 1989-90, were paid by their host country, not by commercial sponsors. But then Bird is a natural for firsts and records. Tomorrow's Test match between Zimbabwe and India will be Zimbabwe's first with full Test status. Just for good measure, it will bring the number of Tests Bird has umpired up to Frank Chester's record of 48.

Bird will advise local umpires in Harare and Bulawayo, where he will also stand in Zimbabwe's two Tests against New Zealand. Shepherd and Bucknor will umpire South Africa's four Tests against India.

What happens next is up to each country to decide for itself. India will decide whether they want neutral umpires for England's tour of their country after seeing how neutrals handle their tour of southern Africa. Australia dislike the scheme and say they will not imply a lack of confidence in their own umpires by using it.

I asked Cowdrey whether he thought the neutral scheme could be seen as a capitulation to Pakistan's repeated demands for neutral umpires and their complaints this summer about English umpires, as giving way to trouble making, as weakness under pressure. "I think we all have to look at it and see how it goes. I can't say any more than that really."

Presumably his hope is that the scheme will gather strength and win respect, so that soon Test countries will only want to play where there are neutral umpires.

The fear is that it will lose, not gain, authority for umpires by making their nationality more important than their ability. Also by making them more dependent on match referees, who now seem, alas, to be seen as an integral part of game control at international level. Soon some-one will start calling them match managers, as they sit watching their videos and making judgments on umpires' judgments. The presence of such a reserve force, albeit one with pitifully weak weapons, as we saw at Headingley in July, undermines umpires' authority and lowers their confidence. If neutral umpires are worth trying, their control should be complete.

Cricket is the last important sport without neutral umpires (or their equivalent) for international games. The ICC accepted the principle of neutral umpiring two years ago, but had been unable to find sponsors to make it a reality. Only England has professional, full-time umpires. Everywhere else the best umpires can spare little time for the job. Sir Donald Bradman is alarmed that neutral umpires would discourage each country's up-and-coming umpires.

National Grid's initial, and Quixotic, investment in neutral umpires is £75,000, but neither they nor any other sponsor is likely to spend a fortune training young umpires round the world. Not even if the umpires discreetly advertise on their clothing the patronage they have received. So discreet was what National Grid describe as the "distinctive National Grid 'pylon' logo", on the breast pocket of Bird's white coat, that I didn't even notice it, still less recognise it.

Bird is a fine umpire. He takes a simple line, unabashed by the problems of organisation and finance. He is relying on fine umpiring to win the project attention, approval and support. As Cowdrey said: We'll just have to wait and see.

Tomorrow the world: Blue Jay Pat Borders celebrates play-off victory

Baseball/Jurek Martin

Shafts of sunlight in the shopping malls

THE BASEBALL fan is both objective and subjective. Dispassionate views may be held about players, managers, hot dogs, ballparks, even commissioners who get sacked by avaricious mill owners, as was poor Fay Vincent's fate this year. But there is no substitute for true passion – and for that a handy team is the minimum daily requirement.

In this age of cable and satellite, very different from my last full season ten years ago, that team may not necessarily be next door. Here in Washington, superstations beam in the Atlanta Braves, whose pitching is a pleasure to watch, and the New York Mets, who, Eddie Murray apart, please only masochists. ESPN also provides a catholic nation wide service, extending, for the east coast insomniac, to broadcasts of the Los Angeles Dodgers, more error-ridden and lamentable than even the Mets.

But all this has been couch potato ersatz compared with the undiluted joy of the real thing 45 minutes down the road. If there has been an undisputed rookie of the season it has been Camden Yards, home of the Baltimore Orioles, a distinguished new-old stadium built on the spot where Babe Ruth is believed to have been born and nestling majestically among the warehouses of the inner city. Baseball is, after all, both a city and a country game, to be played in fields of dreams not suburban shopping malls. Camden Yards sold out just about every home game in this its first year.

Perhaps even more miraculously, the Orioles rose to the occasion. Having lost 95 (out of 162) games last year, they won 89 this season and were in contention for the American League East pennant until the penultimate Sunday of the season, dogging the much more talented Toronto Blue Jays, and only passed in the home stretch by the resurgent Milwaukee Brewers. They did it the old-fashioned way with sound fundamentals – solid fielding, timely hitting and some exceptional pitching – just like the good old days when Earl Weaver managed the Robinsons, McNally, Palmer and Eddie Murray into the side with the best record in baseball for 20 years from the mid-60s.

Curiously, the Oriole's main man, Cal Ripken Jr, 1991's most valuable player, had the worst year of his career. Still, he came out of it with a $30m five year contract, the highest ever and just reward for ten great years. With nearly 1,800 consecutive games under his belt, he is on schedule, barring injury or complete loss of form, to pass Lou Gehrig's record in 1995; it ought to be in Baltimore.

Round about that time, with a little luck, Mike Mussina may have record of about 60 wins and 15 losses. In fact, if he pitches like he did in August and September, he may never lose another game. Mind you, the same could have been said of Steve Avery of the Braves after last season; this year he lost as many as he won.

Mussina, in his first full season, won 18 games, lost five, averaged 7⅔ innings per start, and gave up only just over 2⅓ runs an outing. Only 23, trim almost to the point of fragility, studious but self-confident, the fast ball is quick enough, the knuckle curve wicked, the change-up capable of rearranging a batter's spine and the control immaculate. He may have no more natural ability than the Orioles' other young phenomenon, Ben MacDonald, but the head is ten years older.

Robin Yount of Milwaukee and George Brett of Kansas City racked up 3,000 lifetime hits. Neither has ever hawked his wares to another club. Dave Winfield, who does all the time, this year for Toronto, became the oldest man ever to drive in 100 runs.

Frank Tanana of Detroit continued to win as he approaches 40. Tanana was a flamethrowing lefty of the mid-70s. Shoulder surgery has reduced him to a crafty military medium. The game I wish I had seen was in August in a suburban shopping mall in Texas, Tanana against the even older Nolan Ryan, still throwing as hard as he did when they were team mates in California. Deviousness beat smoke and Texas did not get a run.

Of all those, only Winfield and Avery are taking part in post-season play. The regular season title chases were underwhelming, with Pittsburgh, Atlanta and Oakland locking up their leagues by early September. As a result I advised the sports editor a week ago - and, amazingly, he concurred - that the Braves would beat the Pirates simply because they had the best and deepest pitching, and that the banged up but experienced Athletics would knock off the Blue Jays because they had the best manager in the game in Tony La Russa and because Toronto is not on US soil.

These predictions looked impeccable after the Braves established a 3-1 lead and the Athletics split the first two games in Toronto. But, for Pittsburgh, Barry Bonds discovered that he was allowed to hit the ball in post-season play while Tim Wakefield, the casual young knuckleballer, befuddled the Braves with gentle deliveries that danced three pasodobles and four entrechats en route to the plate. On Thursday in Atlanta, the Pirates stood on the threshold of the World Series, up 2-1, two out in the bottom of the ninth, when the unheard of Francesco Cabrera, with only ten appearances at bat all season, drove a two run single to left. The Blue Jays, meanwhile, had shown that talent on the field can beat brains off it and beat Oakland four games to two.

Atlanta is worth sticking with, even though its pitching now looks almost fragile. The Braves lost narrowly the series in seven games last year while Toronto has never been this far. Any bet is worth only a nickel, but no bet can even be applied to the existence of next season, with the mill owners rampant and apparently dead set on a collision course with the players, the umpires, the fans and everybody else who denies them their unalienable right to make a fortune.

Boxing/Keith Wheatley

Heavyweight selling of a title contender

HEAVYWEIGHT boxers are "exorbitantly overpaid." That's what Frank Maloney says and he should know: he is promoting the Lennox Lewis/Razor Ruddock fight in London two weeks from tonight and faces having to sell 12,000 tickets at an average of £86 just to break even.

"It's the richest boxing event ever staged in Britain," claims Maloney, who says the fight has cost £4m to stage. While that might be a lot of money for 12 rounds on an autumn night in Earl's Court, the real prize comes next spring when the winner fights the world champion. The reigning champion Evander Holyfield fights Riddick Bowe on November 13.

According to many knowledgeable boxing people, Lewis is the real McCoy. "I'm a damned sight more confident about him than any British heavyweight in my lifetime," says Harry Mullan, editor of the trade paper *Boxing News*. "Without any reservation, he's the best fighter I've seen in 20-odd years in the game."

Lewis, 27, grew up in the East End of London, the child of Jamaican immigrants. When he was 12, he moved with his mother to Ontario, Canada. "My earliest memory of Lennox is of him being a rogue," recalls brother Dennis, now part of his management team. "He was always a rogue. My mother took him to Canada basically to keep him calm, because if he'd stayed in London he would have been in trouble."

Lewis won the super-heavyweight gold medal for Canada at the 1988 Olympics and turned professional almost immediately. He then decided to return to Britain rather than be lost among the heavyweight pack in north America. "Lennox has an identity and a following in Britain that mean a lot to any boxer, particularly one with any sensitivity," explains John Hornewer, a Chicago-based lawyer who has guided the fighter's career.

As a British heavyweight Lewis, inevitably, has lived under the clowning shadow of Frank Bruno who has grabbed the tabloid boxing headlines for nearly a decade – whether losing to Mike Tyson, opening supermarkets or waving a fairy wand in a pantomime – and fights white South African Pierre Coetzer at London's Wembley Arena tonight. Lewis is quite different. For one thing, he has a penchant for 12 hours of chess as the prelude to a fight. For another, he is a "black" black man, with a considerable following in the Afro-Caribbean community.

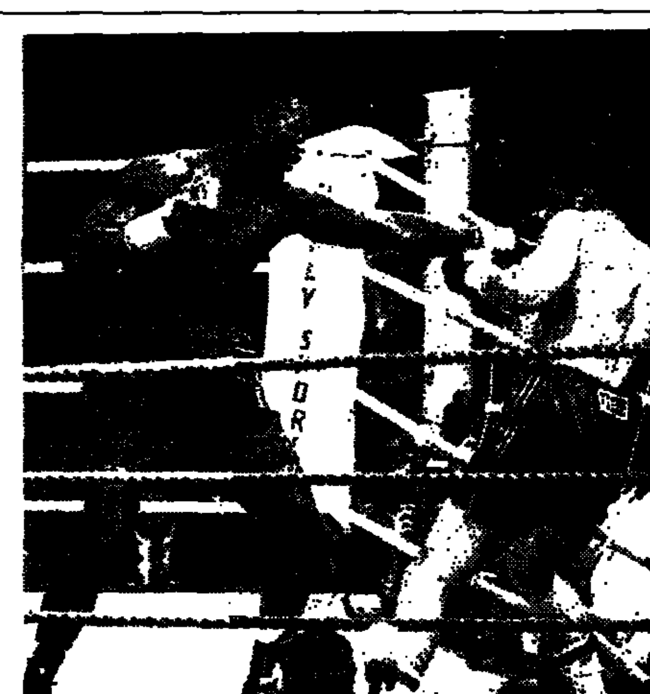
Sensing his unusual commercial potential, his management team have appointed the RTG Partnership, as marketing consultant to the would-be champion. Clients such as the Law Society and Marriott Hotels are more usual at RTG; boxing is a whole new game.

"The first image is of an ugly street sport, with brutal men in the ring and crooks outside it manipulating them," says Mark Thomas, who is handling the account. "Someone like Lewis could start to change that. He's an intelligent athlete and his operation is clearly above board. He could be boxing's answer to Gary Lineker."

Not the least of Thomas's strategies is to develop the appeal of Lewis to women. The fighter's pre-fight interviews have been going to magazines such as *Chat* and newspapers such as *Today*, which have large female readerships. "Compared with Bruno, Lewis has started from a low awareness base," says Thomas. "He's known to the cognoscenti but, when you have 17,000 tickets to sell, you have to go outside that audience."

No one in the camp is quite sure whether tonight's fight between Bruno and Coetzer is a plus or a minus in the strategy. What is certain is that the attempt by Bruno and veteran promoter Mickey Duff to interpose themselves between Lewis and a world title bid has backfired; Holyfield has signed an agreement to meet the winner of the Earl's Court fight at Las Vegas in April.

Even the offer of a £5m package from Duff could not shake the pot. "I'm not fighting Bruno. There's no chance. He hasn't fought anybody," said Holyfield last week. "I have to meet either Lewis or Ruddock. It is that simple." Underlying the champion's "Honest Joe" approach – bizarre behaviour in professional boxing – is the knowledge that the World Boxing Council would strip him of the title if he failed to meet a contractual defence.



Packing a financial punch: Lennox Lewis (left) in action

Lewis arrived in London from his Pennsylvania training camp yesterday out of curiousity to see the Bruno fight. He left behind an America waking up to the possibility that there might just be a British heavyweight who won't end up horizontal within a few rounds. Home Box Office, the cable TV station that will show the fight, has been promoting it as part of a trio of autumn highlights; the others are the Addams Family movie and a Michael Jackson concert.

In practical boxing terms, the fight between Lewis and Ruddock could be the world championship: Mullan, for one, thinks either man can beat the lacklustre Holyfield (or Bowe, should he down the champion). Maloney admits that Lewis's early fights were matches designed to shield him from defeat, but claims that his recent contests have been against "reasonable opponents." Mullan puts it differently. "Lewis looks good so far, but we haven't seen him against a really top opponent. That uncertainty is his only weakness. If Ruddock hits him full tilt and Lewis stays up, he's the business."

Lewis's handlers have spent more than $40,000 (£23,000) on sparring partners in the past month, bringing in former champions such as Tony Tubbs and Mike Weaver. But the stakes are enormous: a British world heavyweight champion would be a multi-million pound export industry in himself.

Motoring/Stuart Marshall

Best that devalued pounds can buy

WILL the effective devaluation of the pound change Britain's national habit of buying more than 50 per cent of its new cars from abroad? The answer seems to be: not necessarily, but it might.

Even if it did, would Britain's car buyers be denied a reasonable choice and perhaps have to put up with second best? The answer to that is: emphatically not.

To deal with the first point: There has always been an element of "charging what the traffic will bear" when pricing cars for various markets. Take Denmark, for example. List prices of cars there are lower than anywhere else in Europe. Taxes are so high that manufacturers have to slash margins to vanishing point if they are to sell any cars there at all.

In Britain, more than 50 per cent of all cars are bought with company money for business use. Fleets are purchased at fat discounts. This has done nothing to lower the makers' official showroom prices, though how many cars have been sold retail at list price in the last couple of years?

It is clear that if EC and Far Eastern makers want to keep their market share in Britain – which you can bet your life they do – they will have to temper the financial wind for the shorn lamb.

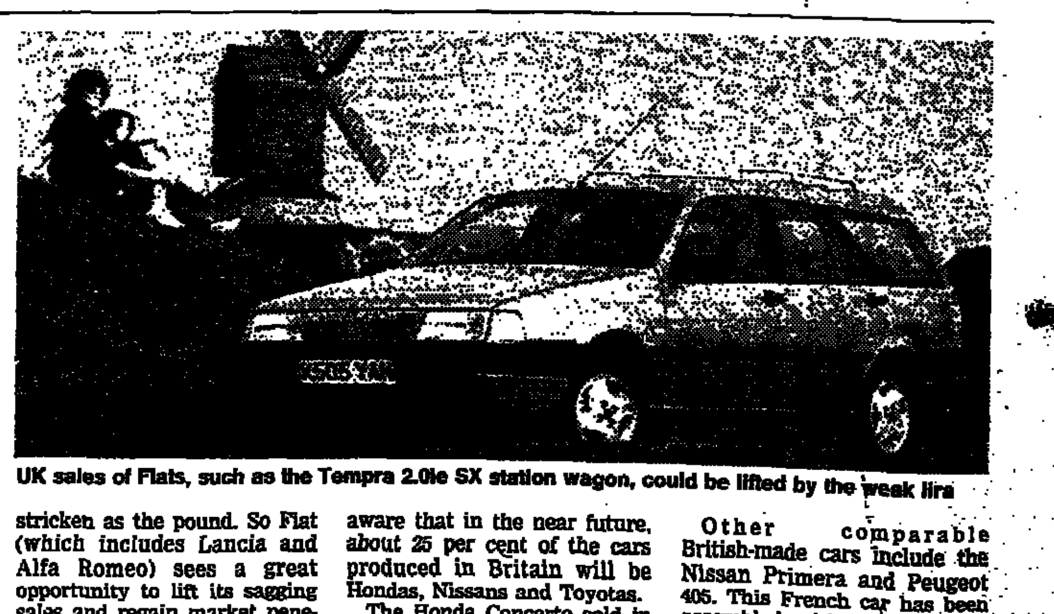
Mercedes-Benz UK spoke for many others when it said this week: "We must remain competitive if we are to preserve our highly efficient dealer network.

"There won't be any instant price increases as a result of the pound's depreciation against the D-mark though eventually some adjustment is inevitable."

What will probably happen is that the model mix of up-market marques such as Mercedes, BMW and Audi will change slightly. Models like Mercedes 190, BMW 3-Series and Audi 80 will gain sales at the expense of the larger, dearer cars. But the shift will not be dramatic, initially at any rate.

"We have noticed that our up-market customers are less price-sensitive than those for our cheaper cars," said Mercedes-Benz UK. It expects some sales could be pulled forward as people decide to buy their Mercedes now rather than wait for the price to rise. The big French manufacturers – PSA (Peugeot-Citröen) and Renault – which between them account for one in eight of all cars sold in Britain, may have to cut margins if their market share is to keep expanding.

Italy's currency is as



UK sales of Fiats, such as the Tempra 2.0ie SX station wagon, could be lifted by the weak lira

stricken as the pound. So Fiat (which includes Lancia and Alfa Romeo) sees a great opportunity to lift its sagging sales and regain market penetration in Britain. Its product range is the best for years and it has been busy burnishing its image and improving its marketing.

But what if the pound should continue to slide and German and French cars become costlier than they are today? The good news is that many long-term buyers of imported cars might be agreeably surprised by the range of British-made cars on offer.

Few motorists seem to be aware that in the near future, about 25 per cent of the cars produced in Britain will be Hondas, Nissans and Toyotas.

The Honda Concerto sold in Britain is already made by Rover, whose 200 and 400 models are closely based upon it though nearly all have Rover's own excellent K-series engines or a Peugeot-Citröen diesel.

Production of the new Honda Accord saloon has just started at Swindon. By 1993 this 2-litre model will be selling against the Ford Sierra (no longer made in Britain) and the British-built Vauxhall Cavalier as well as the BMW 3-Series and Audi 80.

Other comparable British-made cars include the Nissan Primera and Peugeot 405. This French car has been assembled with many British components in Coventry for some years. Micra will be an alternative to the British-made Rover Metro (transformed by a heart and brain transplant nearly two years ago) and Ford Fiesta.

Other family-type cars which can be expected to benefit from the fall in the pound and lira are the Ford Escort and Vauxhall Astra (most are made in Britain); and Fiat's new Cinquecento baby car, Panda, Uno, Tipo and Tempra.

هكذا عن الأصل

TRAVEL

Up the Cristalino river: "Most of the wildlife is where you can't see it – in the river. All the time, the water plopped with rising fish. Watchful egrets, kingfishers and herons perched on the overhanging branches"

A trip into storybook Amazon territory

One advantage of eco-tourism is that it gives the locals an incentive to protect their environment, writes **David Lascelles**

PIRANHAS are much maligned. I can vouch for that having recently swum unmolested in a branch of the Amazon. It was a most pleasant experience: the water was clear and fresh, the shore soft white sand, and the sun shone out of a clear blue sky. There was nothing sinister about it at all.

But I digress, since the purpose of my trip was neither to dice with death nor to escape the Costa del Sol. It was to sample the wonders of the Amazonian rain forest before too much of it falls to the logger's axe.

This year's Rio Earth Summit has quickened interest in that newly-fashionable form of travel, eco-tourism, so where better to do it than in the world's best-known ecological asset?

My own excursion took me to the northern part of Mato Grosso, a state in west central Brazil bordering Bolivia, where the southern tributaries of the Amazon rise. A party of us flew first to Cuiabá, the state capital which bakes in the hot *cerrado*, Brazil's savannah.

From there we took a light aircraft for the two-hour flight to Alta Floresta in Amazonia. Below us, as the trees multiplied, we could see the first evidence of man's clash with nature. The ground was a patchwork of forest and clearings, scarred by tracks in brilliant red earth.

At one point, huge earthworks dotted with pools of unnaturally blue water appeared: this was the work of *garimpeiros*, the cowboy gold prospectors who tear up the ground, wash out the precious ore and leave it bare and polluted. Their destruction stains rivers for hundreds of miles.

Alta Floresta is a pioneer town: wide, dusty, hot. Founded only 16 years ago by entrepreneur Ariosto da Riva as a model community, it got trampled by the gold rush and now looks bruised. Much of the surrounding countryside has been mown down, a few tall, charred trees a reminder of what once stood there. But it has a fine hotel, the Amazonica, run by Ariosto's daughter Vitoria, where a patch of preserved jungle crowds in on the bungalows, and monkeys peer down at the visitors.

The Amazonica is the jumping-off point for the real adventure: a bumpy hour-long mini-van drive down to the Teles Pires river, one of the Amazon's largest southern arms, and then in a flat-bottom power boat for half-an-hour up a smaller tributary, the Cristalino river. Here, at last, is storybook Amazon territory: overhanging jungle, dark, fast-flowing water, and the mystery of the tropical forest.

At a bend in the river overlooking distant rapids, Vitoria has built a simple but comfortable lodge in a clearing: a place of brilliant coloured flowers, countless tree species and showers of butterflies.

This was base for our excursions. Our first was an exploratory walk through the forest – a far friendlier place than I had expected, level underfoot, light overhead, ranks of tall, slender growths straining for the sunshine. Hot and midgey, yes, but we were smothered in repellent.

You learn two things very quickly. One is not to expect much wildlife. The Amazon is not Africa. The largest creature we saw was a capybara, the world's biggest rodent, which looks like a hog. The sound you hear most is the whoop of a guard bird which warns all the others that you are coming.

The other thing you learn is that the soil in the Amazon basin is poor and cannot sustain much plant life, which is why most Amazonian plants obtain their nutrients from the air with overground root systems or other weird devices which give the jungle its fantasyland look.

Our second excursion was to view the Brazil nut trees – magnificent 150-ft giants with vast girths, all protected by law. The tree survives in symbiosis with a small rodent which opens up its fallen coconuts and buries the big pips which we know as Brazil nuts. Vitoria is trying to promote Brazil nuts as a way of encouraging conservation of the rainforest.

On the way back from the nuts, two things happened. Our boat attracted a swarm of bees. We were unharmed, but I later learnt that bees proliferate in the jungle, and I tasted some delicious Amazonian honey. Shortly afterwards, in the slanting evening sunshine which picks out colours with special brilliance, we saw a flock of bright red macaws fly noisily overhead and settle high in the tallest tree: a wonderful sight that could have occurred in no other place.

The following day, Vitoria took us on a three-hour boat excursion up the Cristalino, over rapids (where I had my swim) to a distant river island which is home to the hoatzin. This bizarre bird is half reptilian; it has the remains of a claw on its wings and emits a nasty smell. It can barely fly, and its young drop into the river when threatened. It is said to form a link with prehistory. We were fortunate enough to spot one flopping from one tree to the next, an untidy, wild-looking creature with a tiny head.

Most of the wildlife is where you can't see it – in the river. All the time, the water plopped with rising fish. Watchful egrets, kingfishers and herons perched on the overhanging branches. In the evening, we drifted down the river by moonlight, shining torches under the river banks to catch the orange glint of crocodiles' eyes.

Is eco-tourism just a way of dressing up old-fashioned travel in a new garb? Possibly. But my trip up the Amazon was an eye-opener. You can't help communing with nature at Cristalino. And Alta Floresta is an education in the stresses caused by man's assault on jungle. Victoria arranged for us to meet many members of the local community: the priest, the ranger, the teacher. It is a tough life which makes our homely environmental concerns seem rather precious.

The forest will be at risk until the loggers and the *garimpeiros* find something more lucrative to do. One advantage of eco-tourism is that it gives the locals an incentive to protect their environment.

Cristalino certainly has much to offer, and it is not bad value: six days cost under $500-a-head all in. But the return flight from Rio de Janeiro to Alta Floresta costs another $500 and, depending on connections, could take a day-and-a-half. It is worth doing if you break the trip at Cuiabá to take in the Pantanal, the vast marsh with its abundance of aquatic life.

■ *Contact: Floresta Tour, Rua Teodoro Baima 100.11, Sao Paolo 01220, SP, Brazil; tel: (011)-258-7258.*

In the torn-out heart of Kaliningrad

***Giles MacDonogh** takes the back route to a Russian outpost*

"YOU'RE ON your own from now on if there are any problems with your papers," said my Polish friend encouragingly. We had arrived at the "staff" (workers') border crossing from Poland into the Russian province of Kaliningrad, the Russian half of the formerly German East Prussia. The normal crossing is on the Baltic coast, but German coaches were forming queues which could last up to four days.

My papers seemed to please the Russians, for they established me as a British businessman looking to cement ties with a province cut off from the rest of Russia by the independence of the Baltic states. My Polish visa identified me as a writer and journalist, but I had prudently put that in my pocket.

Crossing from Poland to Russia, the architecture changed little: these were the same Prussian villages that are also found around the Mazurian Lakes on the other side of the divide, only here everything was shabbier, more cluttered: an indication of the large population that was settled here in the post-war years.

Within half-an-hour we had reached the outskirts of the old city of Königsberg, now called Kaliningrad. It is not a pretty sight. A big British raid in the summer of 1944 ripped out the guts of the mediaeval city; when the Russians arrived some six months later they decided to bulldoze virtually everything that remained.

Unlike the Poles, the Russians had not the slightest legitimate historical justification for their absorption of this corner of the Reich, and this must have helped them decide to destroy all of the remaining evidence.

My first impression of Kaliningrad was of a provincial Russian city filled with crumbling slab-blocks and jerry-built tenements swarming with squaddies in the uniforms of all three services. In Warsaw, Intourist had booked us into the Hotel Patriot, but both my Polish travelling companions were sceptical about its existence. One of them called to a teenager and offered him a few roubles to take us there. The boy got in and off we sped.

The hotel keeper eyed us with suspicion. She studied all the documents we could provide, hoping to find some discrepancy. A missing stamp would have given her the right to refuse us access to our rooms. The papers proved authentic, though, and we carried our luggage into the hall where a gaggle of Russian policemen were watching a dubbed Spanish soap opera on TV. On each floor the guardians were engaged in similarly taxing work.

We went out to see if we could find anything of the pre-war city. In the main square the statue of Lenin was still in place, for Kaliningrad is the most conservative of Russian cities. Not far away were a few surviving buildings: examples of the heavy Wilhelmine German renaissance revival of the turn of the century.

The saddest sight of all was the old city island in the Pregel River with the remains of its red brick gothic cathedral. Old photographs show Königsberg to have been a largely unspoiled mediaeval town with clusters of ancient buildings round the cathedral and university.

Like Paris, it had begun life on an island, but had spread to either side of the river. Now the whole centre had been cleared of buildings and their place taken by a memorial park. All that remained was the roofless hulk of the cathedral and, on the north side, the monument erected in 1924 to mark the bicentenary of the birth of Immanuel Kant.

Kant was possibly the only one of Königsberg's sons to mean something in the Marxist-Leninist scheme of things. There is no memorial to that other great Königsberger, E T A Hoffmann.

Other relics of the past were few and far between. Some of the forts of the early 19th century perimeter wall were still standing, one of them housing a lacklustre amber museum. I was astonished to see that the Russians had neglected to remove two portrait roundels from the façade. They represented Scharnhorst and Gneisenau: the generals credited with the creation of the Prussian general staff.

Another pre-war construction is the enormous market. Russians had travelled hundreds of miles to sell off a few old clothes, the family clock or a rusting ship's anchor. A Swedish radio team was interviewing the market people. We got talking. They had been to see a community of ten Germans who, together with a Lutheran pastor, had taken over the old Kreuzkirche and held services there on Sundays. All the Germans had crept back from the Baltic states some 20 years after the mass expulsions of 1945-1947.

We spoke to a woman who wanted to sell three dried fish for 75 roubles. My Polish friend teased her, suggesting I wanted the fish. She offered them to me for 70 roubles. Later in a café, which sold no coffee, some local boys tossed us half a dried fish to eat with our beer. Dried fish is useful: it provokes a thirst for vodka.

We ate that night in the Olstyn restaurant, which is more notable for its atmosphere than its food. Among the dollar-wielding wide boys who were making money out of the decaying Soviet system were collections of wild girls who changed partners with alarming frequency. One in particular never passed our table without hoisting her skirts in greeting. Later she threw a tantrum over the defection of one of her many partners and cleared the table of crockery.

PROPERTY

The rich folk who live on the hills

***David Hoppit** visits Hampstead and Highgate, two historic and desirable London villages*

THAT IT should come to this – a McDonalds in Hampstead High Street. After an 11-year legal battle, the hamburger chain has won the right to open a franchise on the main shopping street of the predominantly 18th century "village" in north London.

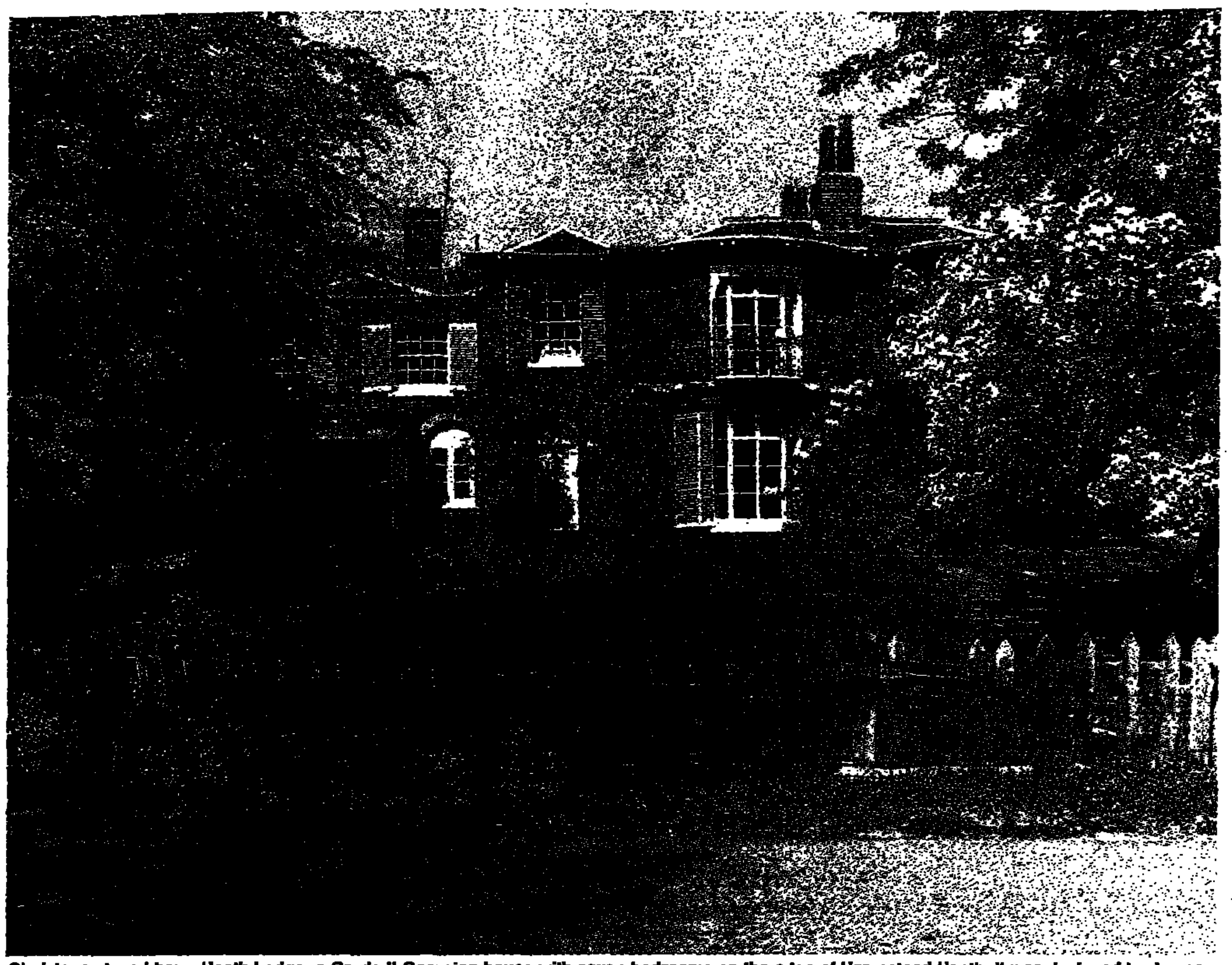
Older inhabitants may worry for the value of their homes, but most of the local children, as well as the huge number of teenagers who converge on Hampstead from all over north London in the evenings, will be dancing in the street.

"Frankly, it's a bit of a storm in a teacup. Hampstead is not a twee little village any more: it is a busy, cosmopolitan place," says Duncan Harding, of Anscombe and Ringland. "People have complained for years that it is full of estate agents, boutiques and restaurants; now they can add hamburger bars."

McDonalds will open early next year on a small site that used to house a far more down-market 'burger bar. Although its design will have to be approved, soon it will be used by the sons and daughters of those who opposed it. But the good people of Highgate, that other favoured hilltop village nearby, are nervous about the judgment. "Highgate is still a delightful village and we certainly don't want hamburgers and litter here," said one resident. "We do!" chorused nearby schoolchildren."

The two villages remain among the most desirable corners of London's vast sprawl. They have been spared the worst excesses of modern building and share that most wonderful amenity: Hampstead Heath, nearly 800 acres of unmanicured park. There was a hamlet at Highgate as long ago as the 13th century; 100 years later, the bishop of London allowed a road to be built over the hill. It was at the foot of Highgate hill that Dick Whittington was said to have heard Bow Bells calling him back; and it was up nearby West Hill that the late poet laureate, John Betjeman, lost his infant heart – "Oh Peggy Purey-Cust, how pure you were" – on his way to school.

Hampstead and Highgate always have been the heralds of recession and recovery. In times ofprosperity, house prices reflect the competition between the rich for the most fashionable homes. In hard time, prices there are the first to collapse. The villages already were a barometer late in the late 17th century. William Blake, who founded a school for orphaned children, built speculative houses in The Grove to help finance the charity. He ended up in a debtor's prison. There are many in similar financial difficulties today. In The Bishop's Avenue, famous as "Millionaires Row," local agents will tell you there are only two houses NOT for sale. "One man I know there has bank borrowings of about £5m but his house is worth nearer £2.5m," says Harding.



Gladstone stayed here: Heath Lodge, a Grade II Georgian house with seven bedrooms on the edge of Hampstead Heath. It was designed by James Wyatt. *Knight, Frank and Rutley is looking for £15m for the house.*

Richard Crosthwaite, of Knight Frank and Rutley, agrees. "A few years ago, there was competition from all corners of the globe for the few houses for sale in The Bishop's Avenue and Winnington Road. All that is changed; one resident told me recently his house was about the only one not up for sale. Behind those gilded gates paces many an anxious vendor, probably with an equally anxious bank manager."

But Hampstead and Highgate will always be the Rolls-Royce of the market; in spite of McDonalds, they retain their historic feel.

Early in the 1960s, I was with the gunners stationed at St John's Wood barracks. Every morning, we would ride up Hampstead hill to exercise the horses of the King's Troop. Our mouths watered at the smells of fresh bread and sizzling bacon wafting through Georgian sashes. At the top, we splashed through Whitestone Pond, where poet Percy Shelley sailed paper boats for children. We loved the scenery up in the villages – the architecture, the misty heathland, the fresh-faced au pairs waving from the windows. And it is the timelessness of "Ham and High" that is intoxicating; small wonder that millionaires want to live there. But the villages are not exclusively for the wealthy. "We have everything from studio flats at £60,000 up to The Towers, in The Bishop's Avenue, priced at £25m; and our inquiries are 50-50 from international and English buyers," says Harding.

Anscombe and Ringland is finding a shortage of property to offer its (admittedly reduced) number of inquirers; owners, like most others not forced to sell, are waiting for better times. The firm is selling Byron House in North Road, the Grade II building dating from 1719 that housed the little school attended by Betjeman and Peggy Purey-Cust. Later pupils included Elizabeth Taylor. The house, with its five bedrooms, can be had for £650,000.

Victorian prime minister William Gladstone and his wife stayed at Heath Lodge, another Grade II Georgian home on the edge of Hampstead Heath; it was occupied then by his son, Henry. The house, designed by James Wyatt, has seven bedrooms, a fine cellar and lovely walled gardens. Knight Frank and Rutley cut the price recently from £2.25m to £1.5m.

For those who prefer a new building, the villages offer some temptations. Savills, with Benham and Reeves, is selling five apartments and two penthouses in a new block at Bracknell Gardens, Hampstead. The building, in red brick with balconies, reflects the Edwardian architecture of the area. Prices range from £325,000 to £750,000; buyers will be able to choose their own interiors, up to a budget of £30,000.

In Highgate, St George has just acquired one of the best building sites in London. Strolling beneath a canopy of high trees, it is easy to imagine you are in the centre of Epping forest; yet, you are just a few yards from busy Highgate high street while Waterlow Park and Highgate cemetery, where Karl Marx is buried, are close by. The developer plans to build terraced and detached houses and some two-bedroom apartments. Prices are expected to start at around £150,000.

Millionaires come and go, fortunes are won and lost, but there will always be people of substance to buy sanctuary behind the high brick walls of Hampstead and Highgate. Only one thing is missing from the Highgate of yesteryear: "Swearing the horns". Strangers were required to take an oath holding animal horns and 20 local taverns observed the custom. Participants chanted the oath: "Both men and maids are sworn; and consecrate the oath with dance and draught till morn." There is a danger that this custom could be revived.

For sale: The Clock House

Timeless folly for sale

THOSE interested in early Victorian architecture have a rare chance to buy a building that was eccentric even by 19th century standards: the Clock House at St Leonards, East Sussex. Its clock tower dominates the public gardens at St Leonards, looking across them out to sea.

The Clock House was built as the focal point of a speculative development by James Burton and his architect son Decimus. But the development cost Burton senior the fortune he had made in building a large area of Bloomsbury, central London.

He was more successful developing Royal Tunbridge Wells, and in raising a 1,000-strong regiment of the Loyal British Artificers to fight Napoleon. (Building workers were the soldiers and architects the officers).

James died at St Leonards in 1837. Decimus went on to design the great Palm House at the Royal Botanic Gardens, Kew, in 1844. Their Clock House is on offer at £235,000 from Fox & Co (0444-450-105).

Gerald Cadogan

COUNTRY PROPERTY

INTERNATIONAL PROPERTY

HOMESEARCH

As They Say in Europe

GATT and the EC: a French farmer writes

"VARIABLE geometry Europe is now taking shape" is the slogan I expect will have emerged from the Birmingham Summit by the time this appears.

The Community's variable nature arises from the contradictory views of the members on the nature of the creature. To the British, or at least the English, it represents 11 nations jealous of the island nation's grandeur and the perfection of its institutions.

For the diminutive north-west Europeans it is the one place where their voice will be heard. The Germans see it as an austere school where others learn to be more like them. For Italy the Community represents the last great chance to get its government out of Italian hands.

For the Iberian peninsula, the Community is a rich source of modernity and civilisation. In Greece it is a rich source of money. But for the French it is an association of nations freely coming together that they may better serve French interests.

Thus in the first two days of the week I counted around 30 editorials on the subject of the GATT talks and their possible collapse. This is a result of further US pressure last weekend to gain fair global trading terms for their farmers. The general thrust of comment in France insisted on the inalienable right of French peasants to my money.

Le Quotidien de Paris posed the question fairly: "Are France's European partners prepared not to sacrifice the vital interests of a country which, although industrialised, lives by exporting half its agricultural production?"

The answers came flooding in. *La Charente libre* said, ". . . these GATT negotiations constitute a great moment of truth for the European union in gestation. It is the spirit of the Maastricht Treaty which is put to the test because it is a question of knowing whether the cohesion and the solidarity of the Twelve will withstand the terrible American pressure."

Le Figaro: "If the [European] Commission gives in to the United States, the French risk having to pay, in terms of exports, for an agreement from which only George Bush will draw advantage." Apart, one supposes, from the rest of the Community and the developing world.

For *Ouest-France* there was a danger of France being isolated. US strong-arm tactics "open the door for yet another Community identity crisis."

Nice-Matin saw the issue clearly in its own distorting mirror: ". . . a reduction of either our production or exports of grain, as demanded by the United States, would cost France around FFr10bn. That cannot be permitted."

L'Est republicain inadvertently rendered the peasants' problem totally vacuous: "They are simply asking for a proposal and await a thought-out answer to the question which preoccupies and worries them: what does it mean to be a farmworker in a country which is one of the motors of Europe?"

The other great question of the week was "What does it mean to have discovered America when you shouldn't have?"

The 500th anniversary of Columbus' landfall also marked the closure of the Seville Expo which, said *El Pais*, had at least demonstrated that Spaniards were not congenitally incompetent. But it added that their creation of Latin America had not been a howling success.

"At a distance of five centuries, it is not the model of conquest and colonisation which we would recommend, but we must note the historical significance of those important episodes which transplanted Spaniards and without which modern history would be unintelligible. It is the legacy of Spain in those countries, and in particular the common language, that permits Latin America to project itself as a cultural community."

An editorial on the same subject in *Komsomolskaya Pravda* showed how the Russians are catching up. "When the old world felt crowded it discovered America, but what did America give the old world? . . . The US constitution and Latin American juntas, modern art, penthouses, pornographic comics, melt-in-your-mouth chocolate and fizzy drink that destroys your stomach, the 'melting pot' and racial problems."

But it was not all bad - literature, music and films had benefited from the rise of the US. *KP* concluded, "The history of relations between the old and new worlds can be compared to Turgenev's *Fathers and Sons*. The badly behaved son chose the orphanage, but he accumulated his parents' experience and learnt from his mistakes . . . Now old Europe's task is to try to avoid the nursing home."

James Morgan

■ *James Morgan is diplomatic correspondent of the BBC World Service.*

هكذا من الأصل

Vukovar's reluctant grave-digger

***Melanie McDonagh** visits the front line in Croatia and hears about the horrors of war*

PETER MAJIC is the nearest I have come to a Helot, the class of slaves the ancient Spartans made from the people they conquered. He is a Croat who was forced by the Serbs of Vukovar to become a grave-digger to dispose of the corpses produced in abundance by the siege of the city. His ordeal lasted 3½ months.

I met him in Osiek, just on the Croatian side of the front from Serb-occupied Vukovar. He lives with his wife at his brother-in-law's farm and helps with the work. The family all were there as he explained what had happened in an emphatic, although unemotional, voice.

It began last year when Vukovar was being bombarded by the Yugoslav army. "At that time," Majic said, "my family was staying in the cellar of our house. One day, three armed Serbs came to the door. 'Ustasha, Ustasha [the name of the Croatian fascists in the second world war], come out,' they said. So we came out. My son was the first. He stood on the steps of the house. We came out after him and one of the Serbs came up to him and shot him in the head. His brains went over his mother's arms."

I looked over at his wife. She had started to cry and she drew her hand down her sleeve, to show the place.

"Then they sent us back into the cellar. A few minutes later, they called us out again. When we came out, the house caught fire: they'd doused it with petrol."

"Were they neighbours?" I asked.

"Yes," he replied. Then he continued: "We were taken to a cellar in another house before we were separated. She [his wife] was removed to Sremaska Mitrovica, a Serbian refugee camp. I was taken with two other Croats to another house. I was quite certain that I was going to be shot. But we were kept there, in a cellar that was always under a few centimetres of water.

"Every morning, we were taken out by armed men and brought to places where bodies lay. We had to dig graves: for men, women, children, pigs and cows. Some days, there would be 20 or 30 human bodies. But there were hundreds that were never buried: lying in the fields and in the woods. Some of the corpses were fresh, others a few days old. Most had been shot but many had had their throats cut. Some had been mutilated. I knew many of them.

"We worked every day, during rain or snow, even on our Christmas day. We had a glass of water to wash with, every day. I couldn't shave or wash my body. And I had only one shirt and trousers all those months. In my house, I used to have 80 shirts.

"When we began work, there were just four of us; by the end, there were 24. We didn't talk to each other much: we didn't trust each other. I owe my life to keeping my mouth shut. All the time, we were supervised by Serbs, some of them with Kalashnikovs. Once, when we had to shift coal from trucks – with our hands – we were guarded by women as well as men, with machine guns.

"A doctor came to Vukovar from Belgrade. He examined the corpses that we brought in and set down the causes of death in a big book. After a few weeks, he gave me leave to visit my sister in Belgrade." He pulled out a plastic bag of papers and showed me his exit permit. "I got to my sister by train and I think it was the happiest day of her life when she saw me. She is married to an Hungarian and her son and daughters are married to Serbs. They were all good to me."

While he was staying there, his wife wrote to say she had been freed in an exchange of prisoners and was in Zagreb, intending to go to her brother's house near Osiek. Majic decided to go there, too. "I have bad dreams at night now," he says. "But I'd be mad by now if I hadn't had such good relations. Of course I want to go back to Vukovar. But not while the Serbs are there who have killed people. If we ever go back, only a few Serbs can stay in Vukovar, and even them I wouldn't look at."

Tales of terror . . . Emina Mrkalj (seated, second from left) describes how the men in her village were massacred

After leaving Osiek, I went to Herzegovina to visit a refugee camp in the village of Posusje. The school had been taken over to house Moslem refugees from northern Bosnia. There were mattresses lined up in front of the blackboards, women in Turkish dress carrying laundry through the playground, people queueing in the caretaker's office to ask for tea or lavatory paper.

The first woman I talked with came from the village of Korovac in Prijedor, northern Bosnia. Her son, a serious-looking 21, came over to join us. The village, he said, had been bombarded with grenades 24 hours a day before it was taken. It had housed a mixed population: 60 per cent Moslem, 15 per cent Croat, the rest Serb. The local Serbs had left to join the militia on the hills outside to help with the attack.

When the Serbs finally entered the town, they were joined by 2,500 militia. First, they took the public buildings: the school, the town hall, the police station. The local Serbs went from house to house to those they knew would be armed and made them surrender the weapons. "Why did the Serbs act that way?" I asked. The woman shrugged. "They were normal people before," she said. "All of a sudden, they were abnormal."

During that time, the people got food from the Red Cross. "But," said the son, "the humanitarian help went to the churches, and they were in the hands of the Chetniks [the universal, derogatory term for the Serbs]. And they sold the food to the rest of us; only Serbs got it for nothing. I don't suppose the International Red Cross knew what was going on."

The only information they got was from the Serbian-controlled local radio. From this, they learnt about three villages where massacres of Moslems had taken place: Hrustovo, Vrhpolje and Mahala. "We were afraid," said the mother. Her son added: "The Serbs went from house to house and they made people sign papers giving up their house or their business. We had to pay to sign the papers. All these people had been our neighbours. There was one man, he'd been my best friend at school."

The son was then taken away to a camp. He said: "It was terrible. They took wet sand in stockings and hit people, or they used iron bars. I was beaten. There was nothing to eat. In two days, I got a slice of bread and a glass of water. We were kept in hangars, or an empty company warehouse. There were always 200-300 of us, but the people kept changing. Some were taken to a bigger camp, some were deported or killed. It was anyone the Serbs had a grudge against. "The UN came once to see the camp. But the Serbs knew they were coming and we were shifted to another warehouse until they left. The UN doesn't see anything and it doesn't want to see anything."

"Would you go back home?" I asked.

He nodded. "But only with a weapon in my hand. First I need a doctor, then a gun."

"You couldn't live with those neighbours again, could you?" I asked.

He looked at me. "When I go back, there won't be any neighbours. My hands are going to be red with blood to the elbow."

In a nearby classroom, I found a small group of women: one was holding a baby. They had come from the same village: Biscani, in Prijedor. The most articulate of them was Emina Mrkalj, a remarkably resilient woman of 38. Her story was familiar: the village had been bombarded before being occupied and the local Serbs had collaborated with militia outside. But, on the local radio, they announced a "cleansing." Only suspected people would be taken away but everyone must stay in their houses and all Moslems must put a white flag on their roofs. Whenever they left their houses, they had to carry a white cloth.

Emina said: "The Serbs went from house to house and called the men out. Nearly all of them were taken 150 metres from the houses to the market place. The women followed – some lived close enough to watch from their windows. We saw everything. We saw them falling, one after the other. It was a massacre. Their eyes were gouged out. We saw the dead bodies on top of each other, beside each other. Each of us looked for her own husband."

Emina went on: "After they were finished shooting, the children started to cry for their fathers. The Chetniks came back and said we'd all be killed if the children didn't stop, if we didn't bring them everything we had. The children had dreadful fear of the Chetniks. They threatened them and said awful things.

"We weren't allowed to take the bodies away. The bodies were there for five days, and on the fifth day they brought a lorry and they took them to the rubbish dump. But one night I went out and wrapped my husband's body in a sheet, and my neighbour's husband's body. During those five days they raped women, and beat them. Often, when they raped a woman they would kill her."

The Serbs from outside came from two corps: from Banja Luka and Knin. The worst of them were the Red Berets, soldiers with red headbands or emblems. "They said they had orders to kill us," Emina said. "They called it, always, cleansing."

Later, she was made to join a convoy. "We were taken to the Dead Zone the mined area between the opposing fronts] and we and the rest of the convoy had to walk across on foot. Many people had to. On the edge of the Dead Zone, the men with us were taken to one side and shot, the fittest-looking ones. Our luggage was taken from us and strewn everywhere. On the Dead Zone, you see many dead bodies. We had to walk three kilometres to the other front, where the Bosnian Guard looked after us. From there, we walked another 22 kilometres to safety."

Emina's narrative was not concise but her story was borne out by the others. (One woman said that when she crossed the Dead Zone, she had seen a mother and child killed after stepping on a mine). Emina was astonishingly unemotive as she told the story: probably, she had been through it many times before. Her mother wasn't so composed, though. I went over to shake the old lady by the hand and she cried and cried.

The rise of the new South

■ From Page One

first plant outside Germany in South Carolina.

Economic development, however, is grinding away at the South's distinct cultural identity. The impact of urbanisation is one cause. Another is the growing number of Americans from other regions who now work, or retire, in a region with low living and property costs and good weather. But it is easy to exaggerate this loss of identity, especially if you do not venture beyond the big cities. Southern food, for example, remains distinctly different. To breakfast on grits and "biscuit" (a kind of scone) and gravy at the Holiday Inn in downtown Little Rock, Arkansas, is to appreciate that you are a long way from home.

Family, always a linchpin of the South, remains a powerful binding force. And, above all, religion still plays a crucial role; the region is still home to America's tele-evangelists despite the financial and sexual scandals which engulfed so many of the breed in the 1980s.

Author V.S. Naipaul, who toured the South late in the 1980s, wrote: "In no other part of the world had I found people so driven by the idea of good behaviour and the religious life. And that was true for black and white."

Then there is the past, which also lives on as a kind of religion. In the north, no one outside history classes mentions the civil war now. In the defeated South, though, it has continued to be an ever-present source of potential resentment, be it the town war memorial, the Confederate flag flying from a state capitol, or constant references by tourist guides to the cold-blooded devastation wreaked by the Yankee General Sherman on his march to the sea. Yet, even this religion is now losing its force. Jim Henderson, an Atlanta lawyer from an old Southern family, says: "My hunch is that my generation – and I'm 40 – will be the last for which the civil war holds a fascination."

It is hardly surprising that such fundamental changes have been pounced-on by that most powerful force for cultural homogeneity, the US television industry. One of the most popular US comedies used to be *The Dukes of Hazzard*, in which good ol' southern redneck boys chased assorted villains around the countryside, accompanied by a blonde bombshell, a corrupt sheriff, and a dungaree-clad grandpappy. In other words, the South as hayseed slapstick.

In the 1990s, network television's definitive southern comedy is *Designing Women*, which focuses on four strong, well-dressed southern women and a rather fey black male companion who run a Georgia interior design company. The tone is sophisticated and feminist. There are no racial undertones, yet the show projects down-home common sense and warm, southern hospitality. No coincidence, then, that the producer is a close friend and adviser to Bill Clinton.

Despatches/**Brunei**

Dinner for 5,750 please, James

***Kieran Cooke** sups with a sultan but finds the six-hour wait tedious*

WHEN THE richest man in the world issues a dinner invitation, it is best to be punctual. The sultan of Brunei, estimated to be worth a cool $37bn (£20.7bn) at the last count, was throwing a little anniversary bash marking his 25 years on the throne.

Dinner was at 7.30. At 5.30, a few select members of the international media arrived at the palace gates. The sultan is known to be a bit of a stickler when it comes to dress. Slept-in suits were brushed down. Scuffed shoes were given a quick wipe. Stained ties were adjusted. The man from Russian TV looked in need of a snort of vodka.

It was going to be a cosy affair. Just us, the sultan, a sprinkling of Malay royalty, a layer of heads of state, a few prime ministers added as garnish. Plus a few thousand other dignitaries, even a few ordinary people. A mere 5,750 altogether, all seated in the same room.

You either hide your wealth or flaunt it. Sultan Hassanal Bolkiah, 29th sultan and absolute ruler of Brunei, is not afraid of spending a bob or two. His palace is described as the biggest in the world. There are nearly 2,000 rooms. There is a throne room that can seat 2,000. Marble covers more than 12 acres of wall. Carpets as lush as newly-fallen snow. Chandeliers that weigh a ton apiece. Gold that hurts the eyes. Nearly 300 lavatories.

The meal was running late. No one can raise a fork until the sultan gives the word. We waited. The dining room was a cross between Versailles and high season at Butlins.

"G'day," said an Australian waiter, one of more than 700 catering staff flown in for the occasion. "Not a bad little party, eh?"

In the kitchens, chefs sweltered and tempers frayed. Plates of prawns collided with sides of mutton. The meat for the meal was flown in from Australia where the sultan's ranch is twice the size of Brunei itself.

More waiting. A few of the down top table guests sloped in. Prince Edward – representing his mother, Britain's Queen Elizabeth – sat in the corner by the royal serving hatch. A Thai prince smiled serenely at the ceiling. A Malay princess adjusted a troublesome tiara.

The sultan, still only in his mid-40s, has two wives and 10 children. And a great deal else besides. Two palaces in Brunei plus a hotel in Singapore and another which he bought, then sold, to the Brunei Investment Agency (BIA), a secretive organisation that handles an estimated $35bn of the country's international investments.

The sultan has a mansion in Malaysia. He owns the Beverly Hills hotel in the US, plus another couple of houses in Tinseltown.

His father was something of an anglophile who even had a special Winston Churchill museum built in Brunei. That has been closed but the present sultan – who spent time at Sandhurst, England's military college for officers – still maintains strong British links.

He bought the Dorchester hotel in London but sold it recently to the BIA. There are various flats and houses dotted round the British capital. The sultan's main residence is a country house situated on the flight path to Heathrow airport.

The sultan is partial to planes. He bought his own 747 recently and has a couple of other jets in Brunei. Then there are the automobiles: estimates of the number of his Rolls-Royces vary between 135 and 157. Plus a whole starting grid of sports cars.

Dinner was getting very late. There were ugly mutterings from the international press. No alcohol allowed in this increasingly Islamic state. Diplomats, dressed in their full regalia, perspired quietly; their wives glowed.

The sultan loves polo. He flies in whole teams to play special tournaments. His horses are said to have air-conditioned stables.

Britain has a battalion of Gurkhas stationed in Brunei. The sultan has his own Gurkha battalion, made up of retired soldiers who now form the palace guard. Any mutinous sounds from the waiting diners and the kukris might be out.

Army chaps were the only ones to maintain stiff upper lips throughout the long wait. They would not even taste a tumbler of water until the sultan – always referred-to among expatriates as "HRH" – had first lifted a glass.

It was 9.45 pm when the sultan finally arrived. The whole family was in attendance. The sultan doubles up as prime minister and minister of defence. A brother is foreign minister, another is minister of finance.

Sultan, princes, princesses and prime ministers sat down, stock still. Not a word was spoken. Just the sound of a thousand camera shutters clicking.

The press were ordered back to table. The sultan had given the word. Food was fallen on. The Russian fantasised about the cold of a Moscow winter. "And then you drink – like that," he said, knocking back a pineapple juice.

We rose. "Tut, tut," said the army. Dammit all, everyone has to wait till HRH has finished. We escaped through the kitchens.

"You people have no bloody decorum," said the Australian waiter, smiling. We agreed. Six hours of dinner was enough, even if it was with the richest man in the world.

GARDENING/PERSPECTIVES

Paradise on the crest of a Wave

***Robin Lane Fox** tracks Columbus and discovers a hint of heaven on the fringe of New York City*

EVER topical, I have just returned from my horticultural re-run of 1492. I have seen it all, from Spain to America, with Columbus before me: I have followed the poet Lorca precisely, from Spanish Granada to New York. I, too, have shuddered at the big city's darker side while on a Lorcabout of my own: unlike him, I have also shuddered at the rivers of modern development which now pour ever further on to the plains beneath Granada, the source of his poetic vision.

On present evidence, I can confirm that Columbus's one observation about gardening was as inaccurate as all his map reading: off Venezuela, he believed that he had found the edge of the beloved garden of Eden. To a self-taught man, the evidence was as overwhelming as DM2.95 to the pound.

Four rivers were flowing downhill, like rivers mentioned in Genesis; the landscape was lush and luxuriant and the residents were luscious and naked. From this fringe of divine horticulture, Columbus believed that the world rose upwards, shaped like a female breast whose nipple was the centre of Eden. Significantly, he never returned to check out his anatomy at the top of the world. It was just as well because, from Spain to America, I have found nothing to prove him right.

Somewhere, perhaps, there is an unmapped Eden, going topless where I cannot find it. From Granada to Central Park, I have checked out the greenery; I have cypresses clipped like pencils on terraces of narrow carmen-gardens; I have seen myrtles in need of pruning and bedding plants in need of instant eradication.

On the fine hill of the Generalise garden, red salvias luxuriate, a far cry from paradise; there is a hint of heaven in New York streets where the trees are ginkgoes, but there is nothing heavenly in the Strawberry Fields garden commemorating John Lennon's name. After two weeks, I needed orientation: it was lucky that friendly gardeners told me about Wave Hill.

Wave Hill is not Eden or Sissinghurst but, if paradise is the place which seems the best of the moment by contrast, it has a claim to be taken seriously. It is open every day except Monday and, to find it, you must travel along the Hudson river on a half-hour's journey from New York's Grand Central to Riverside station and a neat, green, garden suburb.

In 1843, an American lawyer, William Morris, brought his bride to view the hillside where he had just bought some 20 acres. "It looks like a wave," she is said to have told him. So, Wave Hill was born, overlooking the broad river on the edge of modern New York City. From its upper terrace, you might still expect to see smoke signals rising from the unspoilt woods on the far bank.

New York's Eden became a garden through money and immigrant talent. The site was brought to life by George Perkins, a business partner of J.P. Morgan who was hyperactive between 1903 and 1920. He worked with Albert Millard, a head gardener who had trained in royal service in Vienna; together, they laid out a garden in the English style. Two Scottish head gardeners followed: like Bagatelle, the gem of Paris, Wave Hill struck an English chord on the fringe of a great

metropolis. Perkins seems to have caught other English habits: a leading financier, he retired at 50 to focus his abilities on social challenges. One of these was to give bits of the garden to people who admired him. The various houses there have a long roll of honoured residents. Toscanini rented one of them and Mark Twain built a tree house in the garden.

Since 1960, Wave Hill has belonged to the city of New York; since 1967, it has been managed by a hero of east coast gardening, Marco Polo Stufano, who is its director in his silver anniversary year. He has been essential to its identity.

Early October is an unfair test of a flower garden, even in a local Eden. Wave Hill's trees are spectacular, covering more than 700 varieties; its salvias are so much rarer and subtler than modern Spain's with names like Cinegel D'Oro, a pale beauty from Mexico.

Plantsmanship is unusually evident, from the fine pans of wild cyclamen in the alpine house to the many intriguing types of plant from American states: odd lespedezas from California or huge bushes of vibernum Setigerum with spectacular scarlet berries.

The climate in summer must be pretty awful and winters are a cold Zone VI: nonetheless, echoes sound pleasantly from across the Atlantic, whether a purple origanum Hopleys or a bright red verbena Lawrence Johnston. The conservatories could teach us all a lesson, not least that the violet-blue thunbergia grandiflora would look great if well-grown under grass in Britain.

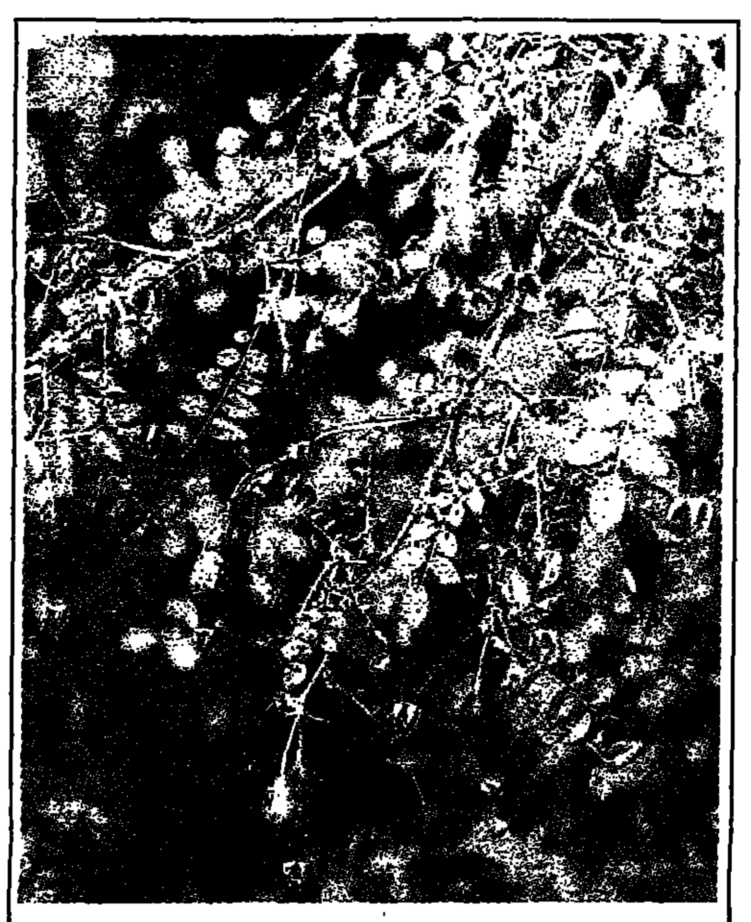
If you love best English gardens best, will it bowl you over? Not, I think, if my eye is fair to its earlier seasons. There is too much potent colour in strong combinations: the water garden is too reedy and feathery and, although the climate must set limits, the plantings on the big pergola do look rather dull.

Perhaps it is only temporary, but the view from the upper terrace falls into a mud patch and then gives way to the wilder shores of the Hudson. The gardens peter out into the sort of wild asters you can see on the cuttings by the south London railway at Clapham Junction. The Garden Trail puts a brave face on it: "Wave Hills's urban woodland is a living laboratory for observing human influence on our environment." So are England's Network South-East rail commuter lines.

Delighted by the trees and the controlled craftsmanship, I veered to the right through the social challenges and found myself on the terrace of Wave Hill's main house. Nowadays, they sell a palatable tea and, as the Columbus re-run merged into jet lag, I fell into a cosmopolitan dream.

The Alhambra Spain seemed to have been auctioned on Wall Street and somebody was asking to see my papers in the sort of German spoken in Munich's great botanical gardens. I awoke, expecting politically correct Indians with a blowpipe. Instead, there was a line of white-flowered fibrous begonias, fellow-trackers influencing the environment with wonderfully democratic indifference, and the sounds from three tables of Hebrew-quoting Jews, appreciating the Black Forest gateau. Was not Hebrew supposed to have been spoken in the garden of Eden? Perhaps Columbus, had been right, after all.

I took my leave of the finest green refuge on New York City's outskirts: the evening bell was sounding and somebody was driving a car along the lower terrace to remind us that highway morals rule. Taking leave of the lovely viburnums, I descended the hills, to find signs to a Hebrew home for the aged. The evidence vanished, like Columbus's before me, and I was left with an afternoon's memory of a garden with a view across its broad, bold river that even a Scotsman would envy.



Plant of the Week

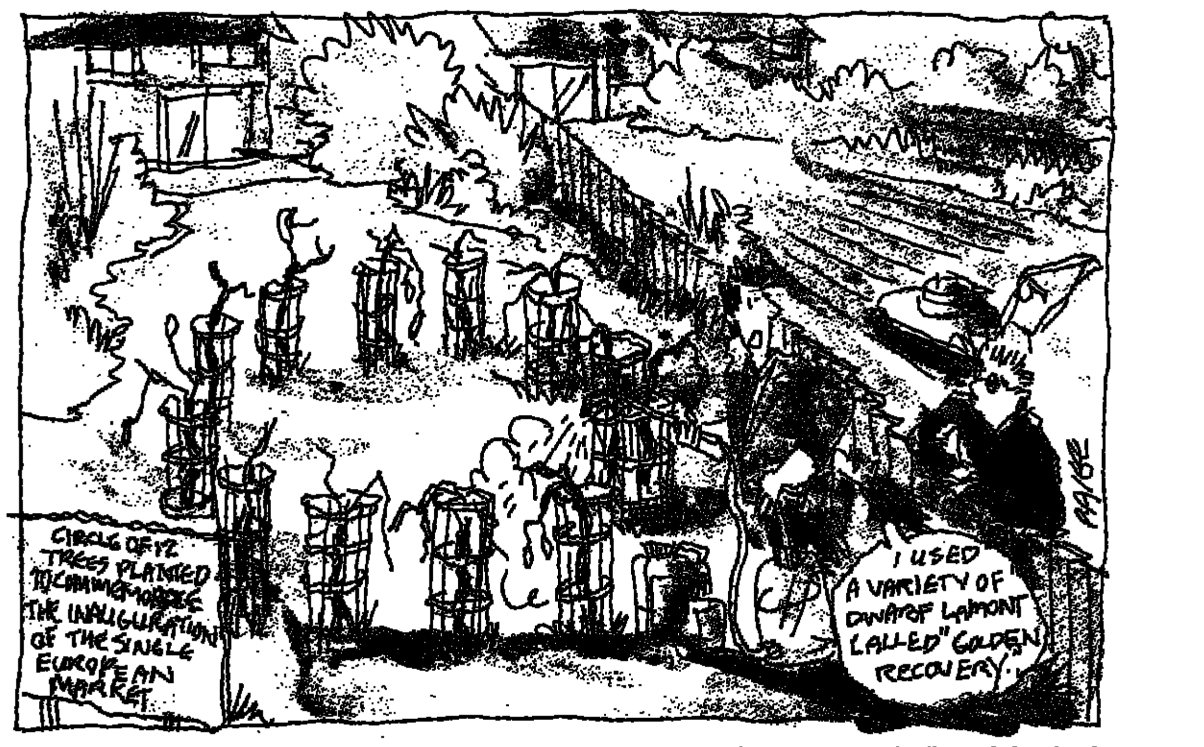
Rosa moyesii

This is one of the finest roses to grow for fruits or hips, which are long, flask-shaped and shining red. It is one of the wild roses of China and several variations of it exist. Probably the best for garden planting is called Geranium but the single flowers of this have not got the magnificent blood red of the wild plant; instead they are geranium red.

The stems are stout, heavily armed with thorns and can grow 10 ft high but can be kept lower by pruning. The variety *geranium* is about half this height. All kinds are completely hardy, will grow in any fertile soil and need little pruning beyond removal of damaged, diseased or worn out stems in winter. .... AH

Moving in the best circles

***Arthur Hellyer** suggests trees suitable for celebrating Europe's single market*



THE SINGLE European market is due to start from January 1 and, as part of the celebrations, it is being suggested that tree circles should be planted in all 12 countries of the European Community.

The idea goes far beyond planting just one or two circles in each country. What is envisaged is that local communities, groups and individuals, such as industrialists, schools, golf clubs – even private householders – should plant circles of appropriate size and character in villages, playing fields and open spaces everywhere.

If small trees are used, a circle need not take up a lot of space and could be very decorative. Each circle should, of course, consist of just 12 trees, one for each of the EC countries. Clearly, it is open to debate as to whether circles should have only one kind of tree, but problems multiply if the trees chosen do not grow at approximately the same rate and finish up at about the same size.

Notcutts Nurseries of Woodbridge, Suffolk, has produced a useful leaflet suggesting trees for circles of three different sizes: eight metres (approximately 20 ft) in diameter, 14 metres (46 ft) and 25 metres (82 ft).

The smallest circle certainly should fit into many gardens and two tree varieties are suggested for it (although of it is not made entirely clear if they can be mixed together): the popular, erect-growing Japanese cherry, Ama-no-gawa; and Malus Maypole one of the new Ballerina apple trees.

These carry a gene which regulates production of side branches, keeping them all very short so that the trees are virtually self-pruning, single-stemmed cordons. Four of these varieties already are available widely; Maypole is the one grown primarily for ornament and also as a pollinator for other apple varieties since its fruits are small and decorative, suitable for jelly-making but not eating. The plentiful blossom is carmine.

A circle of this kind would certainly be very attractive but I wonder if gardeners might not prefer to use all the four available Ballerina apples: Polka, with light and green fruits; Bolero, which has good-sized green and golden fruits; Waltz, red and green, all three dessert varieties; plus Maypole.

More varieties are in the pipeline and I particularly like the look of Telamon, which is an all-red dessert apple that seems to be a heavy cropper.

For the medium-size circle, Notcutts has four suggestions, two of them for native trees which would appeal to conservationists. One of these is the field maple, Acer campestre, which grows especially well on chalk and limestone and has an extended leaf-colouring period in the autumn. The other is the rowan (or mountain ash), Sorbus aucuparia asplenifolia being the one selected because it is particularly decorative.

The exotic trees chosen are Malus tschonoskii and Pyrus calleriana Chanticleer. The first is an erect-growing apple species which has white flowers and yellowish-green fruits tinged with purple, but neither flowers nor fruits are produced very freely.

The real glory of this tree is its autumn leaf colour when it turns crimson, purple, orange and yellow. It is naturally like a pyramid in shape. So, too, is Pyrus Chanticleer, and this also is grown primamrily for its rich autumn colour. It would be easy to think of a score of others including good, golden-leaved trees such as Robinia Frisia or Gleditsia Sunburst; or the sweet gum, Liquidambar styraciflua, which has rich autumn colour.

For the large circle, Notcutts suggests ash, lime, Norway maple and the wild cherry, Prunus avium. Again, the selection could be widened to take in many other fine trees including oak, beech and hornbeam, all of which have erect forms which take up much less lateral space than the normal types.

The narrow, or fastigiate, form of beech called Dawyck also has purple-leaved and golden-leaved varieties. These are all particularly narrow trees when young but, after 15 years or so, they start to widen a little although the branches still grow upright.

The erect hornbeam has a fairly narrow, cone-shaped head of branches and is popular for street planting. The cypress oak is called Quercus robur fastigiata, and is as narrow as the Dawyck beech when young.

It is always upright but widens with age; my 30-year-old specimen has a spread of about 24 ft at 10 ft above ground level. So, 12 trees of this would require quite a big circle, although nothing like as much as for an ordinary oak tree.

An altogether different, more formal effect could be obtained by planting fastigiate conifers such as the Irish juniper (Juniperus communis hibernica): the even narrower J. Virginica Skyrocket; or Irish yew in green or golden-leaved forms or both intermingled.

These would probably be too dramatic for countryside planting, but could look very effective in some garden and park settings and would not take up a great deal of room.

So farewell then, Che Guevara

***John Barham** on a revolutionary who was killed 25 years ago*

ERNESTO "Che" Guevara was born, lived and died in another time. He might have been killed only 25 years ago this month, aged 39, but he belongs to a different world. The future Guevara hoped to shape now seems as distant as the utopias dreamed of by the Communards of 1870 Paris, the anarchists of civil war Spain, or the revolutionaries of May 1968.

As perhaps the last romantic folk hero, and certainly the most famous of Latin America's guerrilla warriors, Guevara embodied the lethally simplistic revolutionary who believed sincerely that idealism, sacrifice and permanent, violent, struggle could one day build a perfect society of freedom, justice and plenty for all.

Guevara lives on, emblazoned innocuously on countless T-shirts, posters and badges. It is easy to picture his stark features etched in black against a flaming red background: his beret, long, scraggly hair and a distant, mystical look in his eyes. But the teenagers who look to Guevara are less interested in his life as a revolutionary than in the glamourous, romantic picture of a rebellious free spirit.

Che's appeal is undeniable. He was a wealthy, middle class youth who qualified as a doctor in Buenos Aires only to abandon the promise of a comfortable life to travel penniless through South America. He met Fidel Castro, then exiled in Mexico, in 1955 and they formed the nucleus of a rebel band that at first numbered only 16 men at the beginning of the Cuban revolution.

Their uprising is an astonishing saga of revolutionaries who triumphed through luck, courage and determination. They almost starved and faced the constant threat of annihilation, yet they went on to defeat – against huge odds – a corrupt, reactionary dictatorship.

But in 1965 Che, the revolutionary hero, effectively abandoned Cuba, probably horrified at Castro's bureaucratic institutionalisation of the revolution. That year, Guevara quit as industry minister to lead a motley guerrilla band in Bolivia rather than compromise his ideals by becoming involved in the difficult – and morally ambivalent – process of organising a state.

Che's vision of igniting revolutionary wars of liberation throughout South America was as quixotic as it was idealistic, and demonstrated a disturbing separation from reality. One of the perplexed Bolivian peasants present at Guevara's death at the town of La Higuera said: "He came to liberate us, but we did not understand."

His death at the hands of Bolivian troops – led by CIA advisers – on October 8 1967 seemed almost pre-destined. His violent end was appropriate for a man fascinated by death and violence in the best Argentine melodramatic tradition. Clearly, he had given the subject considerable attention.

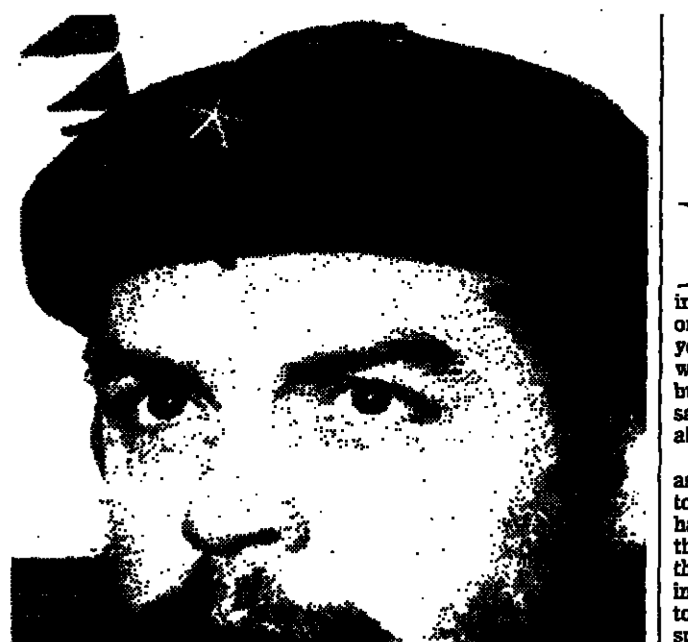
Recalling (in a campaign diary he kept during the Cuban revolution) the moment in 1956 when he was wounded slightly in a shoulder, Che wrote: "I thought of myself as dead. Immediately, I began to think about the best way of dying in that minute when all seemed lost. I remembered an old story by Jack London where the hero, leaning against a tree trunk, prepares to end his life with dignity, knowing he was condemned to freeze to death in the frozen plains of Alaska. This is the only image I remember."

By dying before he grew old, Guevara passed into world consciousness as a mystic enveloped in revolutionary purity. If he had lived, Che would be 64 now and probably be a grandfather, perhaps paunchy and balding like Fidel Castro who has gone from beloved national hero to solitary tyrant.

In his biography of Castro, American journalist Tad Szulc comments that the sensitive and highly intelligent Guevara probably sensed this and deliberately chose exile and eventual death in Bolivia's benighted interior.

Our modern picture of Che, the self-denying revolutionary, could hardly be more distant from that of his successors. The urban guerrillas of the 1970s in Germany, Italy and Argentina appear to us now as psychopaths. The fat, bespectacled and middle-aged Abimael Guzman, leader of Peru's feared Shining Path guerrillas who was sentenced this week to life in jail for treason, is linked in our minds to Pol Pot, not Che Guevara.

Guevara is, to many, forever the romantic, valiant and mystical harbinger of peace and understanding. The famous, scratchy black and white photos of the dead Che, stretched out with his chest perforated with bullets, has transformed him into a modern-day hero who gave his own life for an ideal.



Guevara . . . he lives on, emblazoned on countless T-shirts

But the myth obscures the sinister side of his character. Like all revolutionary purists before him, Guevara isolated himself gradually from the real world in an attempt to create the new man of socialist society, untainted by selfishness, competitiveness, or individualism. He dreamt of sparking off a South American version of the Vietnam war that would unleash great Marxist revolutions across the continent.

In his last radio message, from his Bolivian jungle hideout to a third world conference in Havana, Che exhorted: "How closely we could look into a bright future should two, three or many Vietnams flourish throughout the world with their share of deaths and immense tragedies, their everyday tragedies, their everyday heroism, and their repeated blows against imperialism."

Yet, in spite of this macho posturing, Guevara probably was perceptive enough to see himself as much a Don Quixote as a proletarian Simon Bolivar. In one of his last letters to his parents in Buenos Aires just before leaving Havana, Che wrote: "Once again, I feel beneath my heels the ribs of Rosinante [Quixote's horse]... I return to the road with my lance under my arm."

Fishing

Hooked on modesty

IT WAS suggested forcefully to me the other day that I was becoming prey to that most odious of indulgences, false modesty. No one could catch as few fish as you and stick at it, the thesis went. Ergo, you do catch fish but prefer to give us all that sackcloth and ashes humbug about failure and humiliation.

My protests were brushed aside. What we want, I was told firmly, is a triumph. And, happily, while I was pondering the morality of inventing something, a triumph was delivered into my lap on such a scale as to render my impatient critic speechless.

In all conscience, I cannot claim much credit for it, except that it was my idea that we should go to Ireland and to the Cork Blackwater, now blessed above all rivers. It was luck, pure luck. Even the least deserving of us come by a slice now and then.

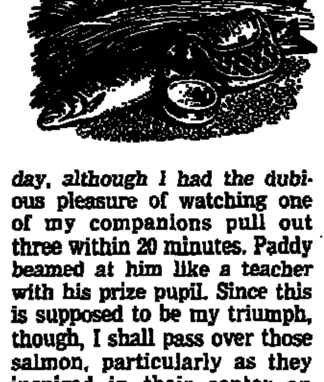
It was all the more marvellous for being so improbable. The weekend before we were to go, appalling news came. "He says there's a 7 ft flood," my wife informed me, as casually as if reporting that she had forgotten to buy bread for breakfast. I tottered, consumed by a vision of a brown torrent bearing smashed trees, Kerrygold cows and all our hopes out to sea.

But then, perhaps in answer to fervent prayer, the deluge ceased. By the time we reached Careysville, the duke of Devonshire's lodge overlooking the Blackwater near Fermoy, the river had resumed a more orderly way of life. "You'll get a fish," was the matter-of-fact prediction from cheery, round-faced Paddy Egan, our ghillie. Hope struggled with disbelief.

My campaign opened disastrously. I showed Paddy my spinning line and he said it was too light. I said it was all I had. He shrugged his shoulders. Second cast, I hooked a fresh-run fish of about 8 lb. The line broke.

Oddly enough, it was the day Britain left the exchange rate mechanism – a matter of trifling importance compared with my loss although I fancy Norman Lamont, the chancellor, might have felt something of the same despair which overwhelmed me. Paddy was not wholly sympathetic as he marched me off to the tackle shop to replace my line.

I caught nothing that first



day, although I had the dubious pleasure of watching one of my companions pull out three within 20 minutes. Paddy beamed at him like a teacher with his prize pupil. Since this is supposed to be my triumph, though, I shall pass over those salmon, particularly as they inspired in their captor an unworthy display of gloating.

Nor shall I dwell on the 12-pounder which another member of the party caught below Careysville weir next morning. My time came that afternoon. At almost the same spot where that gullible trio had given themselves up the previous day, I had two salmon, 11 lb and 8 lb. Now I basked in Paddy's approval.

Thus far, all the fish had been caught spinning, with a deadly lure which was developed at Careysville and is now famous throughout Ireland. It is known as the Flying C – which stands, I am distressed to say, for condom. The resemblance is undeniable.

Now, spinning is all very well but fly fishing is better – apart from which, no true angler would wish to acknowledge that he owed all his success to an airborne birth control device. So, the next morning I fished the fly down a gorgeous pool at the bottom of the Careysville fishery, which they call Corrineen.

The sun shone, a soft breeze rustled the yellowing leaves and, halfway down, a fish took. I was transfixed and did nothing. It hooked itself and, after a tussle, I landed it. It was small, only 6 lb, but fresh from the sea and lovely to behold. It made me a happy man.

In fact, the whole trip had the blissful quality of the best dreams. The house was like the nicest sort of small country hotel, without the inconvenience of other guests. They asked us if we liked lobster and served five between the four of us, fresh that morning from the market in Cork.

We ate like men possessed – I can still savour the smell of the hot crab pie which preceded the apple crumble with which we were provided in the cricket pavilion which serves as Careysville's fishing hut.

And – heaven be praised – there were fish. We had 19 salmon in 3½ days, two-thirds of them from Careysville and the rest from another stretch upstream. Yes, it was a triumph. Now, I have gone back to being the angling non-achiever nature intended; but the memories will keep me warm through winter.

Tom Fort

Shylock: a figure in his own right

Anthony Curtis on Shakespeare's favourite outcast

AUDEN conceived of a select part of heaven where he would at last meet Shakespeare "lounging grandly by the bar" (rather like Sir Kingsley Amis at the Garrick). Shakespeare as a fellow-member – the image seems wonderfully apt. You cannot work as Shakespeare did for many years as a leading writer and performer, part of a permanent company, without gaining a degree of acceptance and respect from colleagues, something their obituary tributes to him testified. And afterwards,

SHYLOCK
by John Gross
Chatto & Windus £18, 335 pages

when Shakespeare had taken retirement from the theatre and returned to Stratford, he aimed to regain the social position of membership of the town's hierarchy once occupied – but sadly forfeited – by his father, a failed alderman and leather merchant.

When one turns from these sketchy biographical facts to the work, Shakespeare's mind appears to be ignited to some of its greatest explosions of dramatic energy by figures who undergo permanent, traumatic rejection by the ruling group. Shakespeare endows these outcast figures with a towering strength and puts memorable utterances of defiance into their mouths: "I banish you!" yells Coriolanus at his former countrymen. "I'll be revenged on the whole pack of you!" says Malvolio; while Timon, the devalued entrepreneur, retires to a cave in the woods in complete isolation, uttering curses at his former hangers-on, and living off roots plucked from the earth. The sequence of rejection, defiance, trial and ultimate humbling (in his case a forced conversion to Christianity) reaches its most sustained heights in Shakespeare's depiction of Shylock the Jew.

Once conceived the figure of Shylock took lasting hold and became a part of collective myth in a way that, for example, his stage predecessor Barabas – Marlowe's *Jew of Malta*, an even more villainous character – never did. The implications of Shylock and his career are so rich, resonating still, that the literary and dramatic critic John Gross has thought it worth his while to devote a whole book to this one figure. Gross studies Shylock as part of Shakespeare's text and then as existing in his own right as a hate-icon. With the rise of liberalism he shows Shylock being interpreted more sympathetically – understanding alternating with hatred.

Gross resuscitates the main line of Shylockian performance from the 18th century to the present. He demonstrates how to begin with Shylock was established as a grotesque caricature and then transformed by a succession of great actors into an individual of exalted stature and brought to life with vibrant realism. This part of the story begins in 1741 when the Irish-born actor Charles Macklin attempted the role at Drury Lane. He was in his late forties at the time and he went on to play the part into his eighties. Although the character he presented was in Gross's words "unyieldingly malignant" he had researched it historically. He discovered, for instance, that the Jews in 16th century Venice wore red hats and donned one. Macklin's performance came as a revelation of the play's power in the theatre.

After Macklin there were – apart from Garrick – few leading British actors who did not attempt the part. Kean's version was a particular triumph. It was described by Hazlitt who

Edmund Kean as Shylock: his version was a particular triumph

felt that great as it was, it tended by its very livelines, to diminish the obsessive vengeful nature of Shylock's character. But Hazlitt concluded that for sheer variety of response, for "presenting a series of striking pictures and giving perpetually fresh shocks of delight and surprise, it would be difficult to single out a competitor".

John Philip Kemble who played Shylock opposite Sarah Siddons as Portia – she was his sister – was considered too remote and neo-classical. The next great landmark was Henry Irving with whom the role underwent a complete re-interpretation. He gave Shylock an aloof dignity based on his observation of a Jewish merchant he had encountered while on holiday in North Africa. "I look upon Shylock as the type of a persecuted race", he wrote in 1884, "almost the only gentleman in the play, and the most ill-used".

It was a controversial reading then in a role that has continued to arouse controversy ever since. Gross traces the lines of interpretation all over the world – American Shylocks like Edwin Booth, German Shylocks both pre-Nazi ones and Nazi-inspired ones like the horrible one of Werner Krauss in 1943, and the less numerous French ones like that of Harry Baur, the French Jewish actor who afterwards perished in Auschwitz.

There have been translations of the play into both Yiddish and Hebrew and Gross deals with these going on to discuss Shylock in the context of the rise of anti-semitism as a political doctrine. He scours many works of fiction, of political and social theory, of clinical psychology, as he tracks down the emergence of a whole family of Shylocks and Shylock-types in novelists from Scott and Trollope to Svevo and Lewishon. Thinkers like Freud and Marx are given their say along with the more obscure pundits who have contributed to the debate. Gross is always immensely well-informed, perceptive without being ponderous, and he never allows indignation to cloud his judgment. His own view is stated clearly on the last page:

"I personally think that it is absurd to suppose that there is a direct line of descent from Antonio to Hitler, or from Portia to the SS, but that is because I do not believe that the Holocaust was in any way inevitable. I *do* believe, on the other hand that the ground for the Holocaust was well prepared, and to that extent the play can never seem quite the same again".

It certainly emerges in a fresh light after one has read this learned yet enjoyable book.

A religion of Good rather than God

A.C. Grayling on the Murdoch philosophy

A CHARACTER in one of Iris Murdoch's novels believes, under the influence of a drug, that he is experiencing "the Good Absolute". To the friend at his bedside he looks like a "wide-browed, huge-eyed god". Murdoch has always disclaimed philosophical ambitions for her fiction, but in the light of her new book – a large, elaborate and visionary philosophical essay – these images suddenly appear telling. For Murdoch believes in the existence of an objective Good which touches our lives at every moment, making urgent demands upon us; and in this richly stimulating work she endeavours to justify that belief and to explain what it means.

Her central contention is that morality is not peripheral, as now too often thought, but essential to our lives. To grasp its importance we must attend to every detail of our inner experience, and we will see that each is morally charged. We inhabit the familiar yet mysterious continuum of the present; it is what is nearest to us, and "it matters what kind of place it is".

Living rightly, Murdoch says, is a matter of directing our moral energies by loving the Good, which is "absolute and unique, a magnetic focus". Fundamentally people just know the difference between good and evil, but the task is to help them respond to that knowledge. Aesthetic and spiritual considerations richly play their part in this. Murdoch argues that religion – a sense of the sacred, and of there being exigent claims upon us from an objective authority – is vital here: but what is required is a religion not of gods or God but of Good: "Good is the reality of which God is the dream".

The thinkers to whom Murdoch constantly recurs in meditating these themes include Simone Weil, Wittgenstein, Schopenhauer and Kant. But the book's dominating philosophical presence is Plato. Indeed her thesis is Platonist in an almost literal sense, in that the central characters of the ethical drama are the solitary private self, with its implicit sense of "something higher", and the Form of the Good, the fundamental reality of our world.

The two enemies of belief in the existence of a moral absolute are, Murdoch argues, science and structuralism (by which she means Derrida's views). Both enterprises analyse, deconstruct, unpiece the wholeness of things. Science seeks only facts, and excludes value; structuralism premisses the merely relativistic nature of truth. Both therefore marginalise morality.

The view that objective Goodness exists, that it is both pervasive and authoritative in our lives, and that we all know what it is, is familiar enough in philosophy. Even if it were untrue many would wish it otherwise. So Murdoch is not offering a new theory. But it is a surprise and a refreshment to have this view defended again, and in such an original, sensitive and powerful way. Yet the old doubts remain: can such a view be argued, or can it at most be urged?

Murdoch recognises that her

METAPHYSICS AS A GUIDE TO MORALS
by Iris Murdoch
Chatto & Windus £20, 520 pages

view cannot be stated in knock-down argument form. It has to be exhibited from different angles to be made persuasive. Like other contemporary philosophers Murdoch holds that ethical theory must trawl widely for its materials, in literature and elsewhere, and that it best proceeds by seeking patterns and perspectives through which, at last, one can understand the nature and authority of moral reality. Accordingly her method is to discuss art, comedy, imagination, religion, and a number of other themes, in what at first seem to be discontinuous and internally rambling essays, but which in the end, by accumulation, build the case for her view. Indeed it is only in the closing chapters that the picture begins to clarify fully.

The book's appearance of rambling is, however, exacerbated by two things. First, Murdoch seems to have given up trying to turn a mass of notes into a treatise, and to have simply transcribed the notes instead, complete with parenthetical reminders to herself and frequent over-long quotations. Secondly, there is no signposting: the book begins abruptly and strolls on by itself, with readers rarely being told what conclusions are being sought or how the discussion will proceed. Murdoch's commitments emerge at irregular intervals, but it is only in the short chapters at the end – doubtless written when she at last began to marshal the growing luxuriance of notes into a book – that direct statements of her theses appear. In its form the book resembles a novel; reading a novel is like taking a night-train to an unknown destination, which is part of the fun. But discursive literature has a different etiquette.

One hopes that Murdoch has not deterred too many readers by leaving them mapless in this way, for this is a significant book, lambent with insights, intelligence, and profound concern, and it hugely rewards careful reading.

Iris Murdoch: lambent with insights, intelligence and concern

Shades of Lear

Stephen Amidon on a novel unafraid to be derivative

JANE SMILEY'S remarkable new novel is a grim and utterly enthralling tale of the poisonous effect long buried secrets can have when unearthed. Set on an Iowa farm in the late 1970s, *A Thousand Acres* tells the story of an ageing farmer, Larry Cole, who decides to divide his land among his three daughters. The two eldest, Ginny and Rose, have lived their entire lives on the farm and are all too willing to take control from the old man, while the youngest, Caroline, a lawyer who has long since moved away, questions Larry's judgment. She is summarily disowned by him, beginning a family feud that ends in a harvest of tragedy.

If the story sounds familiar, that's because it is – Smiley has boldly adapted *King Lear* into a work that lives and breathes on its own merits. Like a Shakespearian tragedy, the story begins slowly, with a carefully drawn portrait of the stifling customs, tedious work and suppressed passions of a farming clan. From without, the Coles seem to be the salt of the Midwestern earth, just what Republicans have in mind when they speak about "family values". Ginny, who narrates the tale, appears to be a simple, honest woman whose willingness to take over control of the farm stems from the most selfless of motives. Likewise with her amiably caustic sister Rose and their hardworking husbands.

All is not as it seems in Zebulon County, however. It soon becomes apparent that both of the sisters' marriages are fraught with violence, misunderstanding and frustration. Their father is anything but the steady farmer he seems to be, turning out to be an abusive, drunken tyrant. Given this, it is hardly surprising that what starts out as an amicable inheritance soon turns sour, the bitterness coming to a head when, true to Shakespeare, the daughters effectively turn the crazed old man out into a violent prairie storm. From that moment the plot kicks into high gear, with adultery, blindness, incest,

A THOUSAND ACRES
by Jane Smiley
Flamingo, £5.99, 384 pages

attempted murder and accidental death following hard upon one another in a manner which manages to be both shocking and utterly natural. What began as an almanac of honest American values ends an epic catalogue of betrayal and loss.

The immense power of the novel stems not just from its grand scale and pitched emotions, but also from its simple, relentless style, a voice that reinforces the book's timeless themes and locations. It is refreshing to read a writer who is not afraid to use such supposedly old fashioned devices as foreshadowing to move her story along. She also manages to adhere to her Shakespearian source in a subtle, unobtrusive way, providing the reader with sparks of recognition without taking her eye off the plot's flow.

Smiley's strongest skill is a keen authorial balance which, perversely, keeps us off-balance for most of the book. The reader must continually reassess his view of characters and events. The attractive Jess, a New Age draft dodger who becomes the love interest of the elder sisters, turns out to be somewhat less romantic than first pictured, while Rose's husband Jack winds up far more complex than first thought. This dark irony reaches right down into the Iowa soil itself, seemingly fertile ground that has in fact been poisoned by years of chemical treatment, a legacy which may very well have caused the cancer that eats away at Rose and prevents Ginny from bringing a pregnancy to term.

The most telling realignment in the novel comes with Ginny herself, a confused and bitter woman who starts the story something of a saint yet soon finds herself driven to attempted murder as she faces the most horrific of demons. Indeed, it is by telling the story from the point of view of one of Shakespeare's "bad" sisters that Smiley is able to add a new perspective to the Lear myth, showing what it must be like to be the daughter of a tyrant, to live in a household where "the unbroken surface of the unsaid" hides a well of corruption and betrayal.

Little profundity to 'Plum'

CURRENCY fluctuations ruin the most predictable futures. At Dulwich College, young P.G. Wodehouse wrote Latin prose and Greek verse with exceptional facility. A scholarship at Oxford was the obvious progression. But it was scuppered by rates of exchange: Wodehouse Senior had taken a pension paid in rupees, and the rupee failed to clear the fence of Oxford fees. "Watch the rupee!" was, apparently, the prelude to any expenditure in the Wodehouse home; and although the diversion from Oxford into the Honkong and Shanghai Bank does not seem to have thwarted P.G, the cause of the diversion – a straightforward case of impecuniousness – haunted him for the rest of his life. He was a millionaire several times over when he died, at last Sir Pelham Grenville, in 1975; and it is fair to say that money was the main interest of his life.

He pretended otherwise, of course. But the sordid topic of coin was prominent in all his dealings with publishers, theatrical collaborators, family and friends. He was a tough negotiator with the former and immensely generous to the latter. That failure to reach Oxford was swallowed with an astonishing lack of self pity (later, Oxford would partly compensate with an honorary degree, to salute his status as *auctor magicus*): but it gave motive to his drive to work almost continually in order to redeem the honour lost on account of the feeble rupee.

This is an important side of Wodehouse, and worth the stress given to it in this new biography. But despite the subtitle, Barry Phelps has not produced a serious piece of demythologising. The subject is "Plum" or "The Master" throughout. The usual apologetics are given for the wartime broadcasts; the usual broadsides delivered against those (Sean O'Casey, F.R. Leavis) who dared question the literary value of Wodehouse. We have a nice vignette of the elderly Hilaire Belloc, in a mouse-nibbled dressing gown, reading some choice Wodehouse phrase and exclaiming, "Admirable! Admirable!". And would-be critics are regularly silenced by the citation of book sales and continued influence. Can millions of contented readers be wrong?

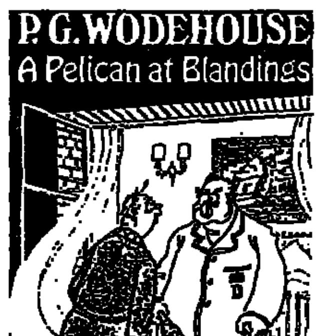
As partial to a dose of Jeeves and Wooster as anyone, I hesitate to join the tiny claque of Wodehouse detractors. But it has to be said: a better knowledge of the man's life does not extend one's enjoyment of his work. It is not that his sex life was negligible; nor that he suffered no vicissitudes (to be packed into a cattle train across Europe and incarcerated in a lunatic asylum in Upper Silesia, at sixty, surely qualifies as a major vicissitude). No: it is just that he was, as far as one can tell from all testimo-

P.G. WODEHOUSE:
MAN AND MYTH
by Barry Phelps
Constable, £16.95 344 pages

nies of his biographers, a facile man. His range of emotional response was restricted to a fault. Even those who are quoted as substantial buttresses of the Wodehouse achievement must see this.

Evelyn Waugh was one such buttress: but Evelyn Waugh also provides a measure of the literary shortcomings of P.G. Wodehouse. There is nothing in Wodehouse quite so comic as the first part of Waugh's trilogy, *Sword of Honour*; there is nothing at all in Wodehouse which comes close to matching the depth and plangency of *Brideshead Revisited*. However much enjoyment Wodehouse may have given Waugh, the two writers are not to be bracketed together. Wodehouse may not have been a "performing flea", but to hail his capacity as "almost Shakespearean" is pure nonsense. No one doubts the technical calibre of P.G. Wodehouse in expressing himself. One simply wishes that he would express himself more profoundly.

Just what did "The Master" make of the loss of his "beloved" stepdaughter Leonora? How could he forgive the man who attacked him so spitefully on the BBC? The way in which he reacted to the privations of his arrest by the Nazis can be partly explained as the defence mechanism of the public schoolboy who creates a microcosm of institutional security wherever he is (buckles down in the prison camp and makes a cricket ball from a mass of rubber bands; gets the games going). But only partly. Either Wodehouse was not properly wounded by appalling events, or else he kept quiet about them. This book does not illuminate. The absence of any moral asperity in Wodehouse's life remains conspicuous. It is a monotone of bland good-nature, which prevails even when satirising Mosley's blackshirts as Spode's



P.G. Wodehouse: money mad

fools in footer bags. The only people to have ever aroused anything approaching savage indignation in Wodehouse appear to have been the British and American tax-collectors.

So there we are: back to the lolly again. It would be perverse to criticise Wodehouse for liking lots of it; and it may seem equally perverse to complain of his imperturbable good-naturedness. He resists such detraction: as Compton Mackenzie put it, criticising Wodehouse is about as graceful as taking a spade to a souffle. I only murmur a note of dissent. Otherwise, I love the man still. No book about him can be a bad book.

Nigel Spivey

Fiction/**Alannah Hopkin**

High on Victorian obsessions

IN THE SECOND of two novellas in this volume, the poet Tennyson hears "the buzzing of little flying fragments of language that hung around his head all the time in a cloud . . .", and henceforth I will always see A.S. Byatt through a similar cloud of buzzing fragments.

Her mastery of the High Victorian style was demonstrated in her prize-winning 1990 novel, *Possession*, but like many readers I found its lengthy sections of pastiche difficult to enjoy. But here, A.S. Byatt communicates a love of words and a delight in their diversity and power that amounts, at times, to a giddy infatuation. The combination of high spirits and erudition is both challenging and exciting.

Both novellas are quite separate. *Morpho Eugenia* refers to a large Amazonian butterfly and is the lighter and funnier of the two. It concerns a young entomologist, William Anderson, penniless after a shipwreck on his way back from the Amazon. He is offered work and hospitality by one of his patrons, Sir Harald Alabaster.

William is absorbed into the teeming Alabaster household, where he resumes his entomological activities, providing a glass hive and glass ant-hill for the younger children and a "cloud of butterflies" for the beautiful eldest daughter, Eugenia. In defiance of the conventions of Victorian realism, the penniless hero is given Eugenia's hand in marriage. Eugenia then retires, queen ant-like, into an all-absorbing reproductive cycle (twins twice, giving a total of five babies in three years) while her husband argues Darwin with Sir Harald and studies ants with the younger children and their companion, Matty Crompton.

Matty, in spite of her lowly status as poor relation, has a considerable intellect. While there are obvious parallels between the ant-hills they observe so closely and the Alabaster household, Matty would

ANGELS AND INSECTS
by A S Byatt
Chatto & Windus, £14.99, 290 pages

extend this to the Industrial Revolution and the American Civil War: "analogy is a slippery tool", says William. "Men are not ants."

And yet, in a sense, the reader is presented with one vast analogy, which is also fairy tale, fable, parody and allegory. The Darwinian debates with Sir Harald and extracts from books written by William and Matty add to the prismatic effect, while on the realistic level narrative conventions of the time are again defied to provide our hero – and heroine – with a happy ending.

The title of *The Conjugial Angel* sent me straight to the dictionary where I made the useful discovery that "conjugial" was used by Swedenborg in preference to "conjugal". Ah, the pleasures of erudition! This emerges in any case from the account that follows of two seances held in 1875 in the Margate home of Emily Tennyson Jesse. She was previously engaged to Arthur Henry Hallam, whose death in 1833 inspired her brother's poem *In Memoriam*. One of the mediums, Lilias Papagay, a clever touch, is the wife of the Captain in whose ship the hero of the previous novella returns to the Amazon: he has been missing for ten years, probably dead. The Swedenborgian theorist, a Mr Hawke, is one of several characters whose condescension illustrates just how frustrating it must have been to be a woman of intellect in Victorian times. "Mrs Papagay was an intelligent, questioning kind of woman, the kind who, in an earlier age, would have been a theologically-minded nun and in a later one would have had a university training in philosophy . . . She did not know much history, though she had read all the novels of Walter Scott . . ."

The matter here is more directly literary with long passages of Tennyson and Hallam requiring a leisurely approach. A.S. Byatt deals with another set of Victorian obsessions here: theology, angels, the after-life and, of course, the conjugial. But Byatt is a compulsive story-teller and although the telling of a story is *not* her prime concern, she does it extremely well. That, and her ebullient use of language, are characteristics shared by both these highly-accomplished novellas, the work of a first-class writer on top form.

Museum for the man in the street

How user-friendly is the V&A? Antony Thorncroft talks to Mrs Esteve-Coll

ALMOST FIVE years ago Elizabeth Esteve-Coll took over as director of the Victoria & Albert Museum to a barrage of criticism unprecedented even in the bitchy world of museum politics. Previous V&A directors disparaged her intellect; senior members of staff howled their protest at her supposed Philistinism. She was seen to be a Thatcherite appointment, under orders to bring market forces into what was seen as a cosy society of indolent, pampered, curators.

Her expressed wish to open up the V&A to the man in the street, making the collection accessible to a wider audience through detailed labels and audio visual presentations, struck at the traditional view of the museum as a place where scholars could quietly enjoy the finest collection of Renaissance bronzes outside Italy, or study an unrivalled array of Georgian furniture.

In January Mrs Esteve-Coll starts her second five year term. Her reappointment by her Trustees offers a good opportunity to assess her radical stewardship. How far has she changed her vision into reality?

Well, in the numbers game the V&A scores heavily, with attendances up 26 per cent this year to date, to over 880,000. The museum looks much better, simply sparkling with new galleries – for Indian art, for Chinese, for Japanese, with a refurbished 20th century gallery opening next week, and one devoted to Korean art in December. Large exhibitions are reappearing at the V&A, like the successful Visions of Japan and the unsuccessful Sovereign, a celebration of 40 years a Queen.

The gleam of Mrs Esteve-Coll shines brightest in the Choi gallery of Chinese art. It was financed by a Hong Kong businessman. Its content was determined by market research into what the public wants. It covers Chinese culture through universal themes – displays devoted to eating and drinking, worship, ruling, burial, etc – themes with which a modern family visiting the V&A on a Sunday afternoon can relate and a world away from the traditional cabinets crammed with a hundred Tang horses and two hundred Ming vases.

She is quite explicit. "The role of this museum is education. That was why it was founded – to improve the taste of the general public in art and design, and to improve the taste of manufacturing industry. In the last five years we have gone back to these first principles."

This means that the museum is now heaving with school parties. Eighteen months ago 10,000 children visit the V&A. Now it is 50,000 a year. By 1994 it will have risen to 100,000. They will gather in the converted Old Boiler House gallery which becomes an educational centre.

This return to first principles is linked to the new national curriculum and the willingness of Government and industry to finance such expansion. All through the Esteve-Coll reign at the V&A there has been this close interweaving between change and money. It is not hard to notice that most of the new galleries concentrate on oriental art – that is where sponsorship is forthcoming. Critics bemoan the fact that one of the traditional strengths of the V&A – its English furniture collection – has not received such lavish renovation. Who would pay for the overhaul?

Mrs Esteve-Coll is undoubtedly alive to the links between art and finance. She has supported her Trustees over the introduction of a voluntary donation from visitors, which brings in £1m a year. She is proud of the fact that this month saw the start of a series of travelling exhibitions of the V&A treasures in Japan, with the useful fee compensating for their temporary loss.

But she is adamant that the driving force behind her changes is much more mundane than making the museum a cost effective business. "Most of our developments are driven by the condition of the roof". That is why the Indian gallery received early treatment: its roof actually leaked. Now the hunt is on for money to patch up the Sculpture Court and the Raphael Court.

But where does this leave the scholar and the aesthete? Unlike the average visitor he might not welcome the relabelling of the Donatello sculptures, with large graphic panels relating the sculptor to the Italian Renaissance. He might want to examine a hundred George II chairs or as many Victorian fabrics, looking for marginal differences. It leaves him in Battersea or Olympia where the V&A has stored away in warehouses 350,000 objects which are readily available to anyone interested.

Is there then a two layered V&A, the spruced up South Kensington Museum, making the arts and crafts of the world accessible to the general public, and out-stations for the scholars? No, the layers stretch on up to the fourth floor of South Kensington where there are still many of the V&A's 154 galleries which have lain undisturbed for half a century or more.

Elizabeth Esteve-Coll is aware of the problem. She is moving on from the Art and Design departments, which display art in context, to the Methods and Technologies galleries, which concentrate on a single medium. Glass is the first to get the treatment, with the result that by January 1994 98.5 per cent of the V&A's holdings will be on display.

It would be naive to believe that the V&A is now a settled, placid, ship like the National Gallery. Brimming with nervous energy Mrs Esteve-Coll is constantly pushing – pushing the scholars for more publications, the Government for more money to shore up the building, the staff to smile more; herself with a hectic schedule to keep sponsors sweet.

The overwhelming impression is of activity. A constant flow of new exhibitions: of sporting trophies, including the Ashes, in November; of the new silver commissioned for 10 Downing Street in January; and the costume designs for the frothy TV success *House of Eliott* later next year. Then there is the plethora of new galleries – one devoted to Frank Lloyd Wright in January follows on the Korean and the 20th century.

Elizabeth Esteve-Coll: elected to start her second five year term

There is perhaps an air of uneasy compromise about the place. The dodging of the admission charge issue; the revitalised galleries being sponsorship led; the gulf between the undoubted scholarship that thrives at the V&A with the exhibitions of work by hip graphic designer Neville Brody, an unconvincing show of pop ephemera, and a free plug for Elton John's collection before its sale at Sotheby's. But undoubtedly Mrs Esteve-Coll has survived and brought her vision – "the professionalisation of the whole museum" – to some sort of fulfilment. The V&A looks better, is more exciting, has a wider appeal, and is humming as never before.

A painter who plays with perspectives

***William Packer** reviews the work of John Wonnacott*

JOHN WONNACOTT is as ambitious a painter as any currently at work in England, both in the scale of his paintings and the complexity of the formal problems which he sets himself.

He is also remarkably prolific. The large upper gallery and the stairs at Agnew's is now filled with the work he has done in the past two years. His subjects embrace the wide beachscapes of his home at Leigh-on-Sea, in Essex, and interiors at times no less extensive. Recent commissions include a portrait of the late chairman of British Caledonian, Sir Adam Thompson, high on a gangway above an aircraft-building workshop, for the Scottish National Portrait Gallery, and a substantial sequence of paintings of the Naval refit dockyard at Devonport, initiated by the Imperial War Museum. As a painter of the technological landscape, whether of a factory or a radio-telescope, he is on his own.

But for all its variety and grandiosity, the essential subject of the work now on show is altogether more consistent and mundane. One of the largest canvases in the show, and one moreover that is entirely characteristic of the whole, depicts no aircraft hangar, no battleship, no crane or telescope, but only a standard easel set in the centre of the studio, and on it a mirror in which the artist sees himself. The easel reaches up into the ceiling void, to probe and define the space itself. Below, the easel-legs and palette-stool fall away by the pictorial logic of the forced, vertiginous perspective. And in the centre sit the mirror and the artist, the one a flat plane within the real, perceived space of the room, the other within the mirror's own proposed, reflected space – surface upon surface, space within space.

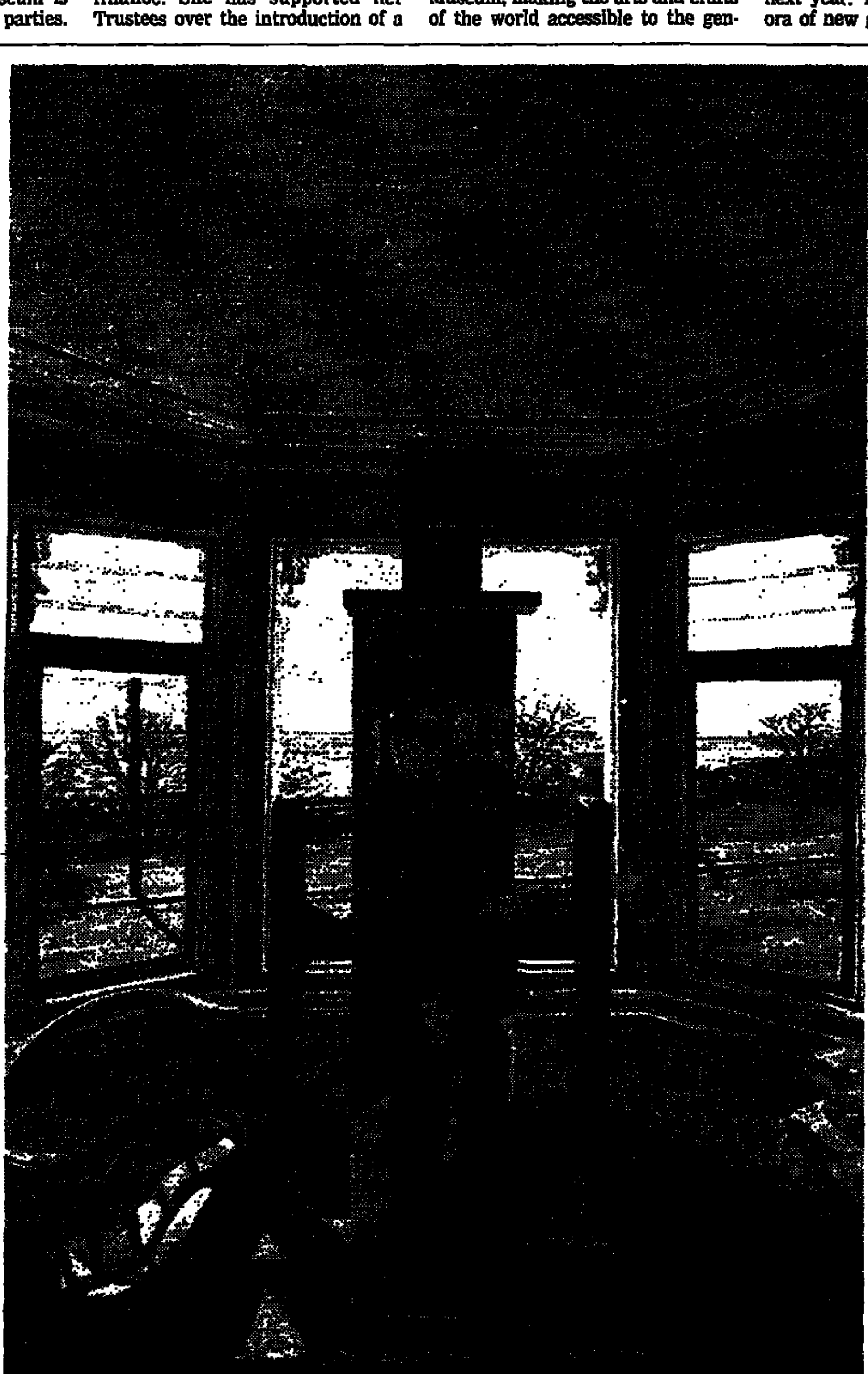
Wonnacott's subject is the space itself, the space occupied and animated by object or figure, and realised by all the devices of perspective, paint and line. His perspectives are more often forced than not, which is to say that rather than being eased apart and accommodated, the several vanishing points are accepted as they are, their pictorial logic worked through to a conclusion. As with the monocular fish-eye lens of the camera, the system rigorously applied leads to a certain distortion. The assumption is easily made, too easily in Wonnacotts's case, of a reliance upon such photographic reference.

But there is nothing here of photo-realism. The binocular complexity is all too evident, the scrutiny direct and unmistakeable, the visual solution entirely achieved by hand and eye working together at the brush's end. The long sequence of self-portraits give the game away, if game it is, for there is no escape from the self-portrait if the artist is to be honest with himself and his work. Wonnacott's self-portraits by now supply a substantial oeuvre in themselves, and are at least as fine as anything else he does. There is no sign here that the supply is about to fail.

Two other current shows require a mention. I reviewed Bridget Riley's Hayward show at length some two weeks ago, and there is no need now to rehearse those favourable arguments. All I will say is that her works on paper now at Karsten Schubert are as authoritative and beautiful as any of their larger relations across the river.

At Gimpel Fils, *Three Score And Ten* celebrates Albert Irvin's 70th birthday. He is a painter quite as remarkable for his energy as for his formal invention and technical command. And he too is properly ambitious, if only to celebrate truly in his turn the unfailing visual thrill to be had in the experience of paint and colour. His is a bravura abstract expressionism to lift the heart.

John Wonnacott: Agnew's, 43 Old Bond Street W1, until November 6; Albert Irvin: Gimpel Fils, 30 Davies Street W1, until November 21: Bridget Riley: Karsten Schubert, 85 Charlotte Street W1, until November 14.



John Wonnacott's 'Self portrait with Brown Easel'

Off the Wall/Antony Thorncroft

Fastest bar in the West

ONE OF London's most cherished monuments, the Albert Memorial, has been covered in scaffolding for almost two and a half years now. It is likely to be many more years before a rehabilitated and restored Memorial comes into view.

The Albert Memorial, along with other construction projects underway in the Royal Palaces and Parks, seems set to take the full brunt of the cost cutting exercise underway in the new Heritage Ministry. The penny seems to have dropped that in an enlarged Ministry, with responsibility for broadcasting, sport, the press, etc, as well as the arts, money can be found for the more vociferous lobbys, such as the performing arts, at the expense of the more pacific, like the Royal Parks.

A battle royal is taking place between the new Minister, Peter Brooke, and the Treasury over the size of the Department's 1993-94 grant. At first a freeze was proposed for such key clients as the Arts Council but it was pointed out that if the Government reneged here so would arts sponsors, and the arts could lose two sources of income. There was also a feeling that a new Minister deserved a break. Even so, arts companies have been warned to expect at best a marginal increase in grant.

And any more money for drama, music, dance, etc. will be at the expense of the poor old Albert Memorial. It would cost around £14m to restore it to its fully glory, half that to patch it up for 50 years. Neither sum is likely to be forthcoming. The scaffolding may well be the only support the Memorial gets for many years.

★

The fastest bar in the West End is the circle at the Coliseum. That is the kind of vital information that was available at the first Stage Fair, held at the Theatre Royal Drury Lane this week.

The Fair was arranged by the Society of West End Theatreas a drum beating occasion. In fact, given the recession, and steadily rising ticket prices, the West End has survived miraculously well to date – audiences are up 3 per cent on the year, although the last month shows a 2 per cent decline on September 1991. Hence the need to sell shows to that increasingly vital customer, the organiser of group bookings.

Group bookings – parties of 12 or more – make up 10 per cent of the West End audience now as against 4 per cent six years ago. Of course they are the playthings of market forces. Shows like *Phanthom of the Opera* have no need of groups, and at the best offer them tickets at face value, while the walking wounded among the musicals (groups concentrate on booking musicals) will offer up to 50 per cent discounts for matinées or Monday nights.

Group bookings are the playthings of market forces

The theatre does seem to be getting its act together. *Annie Get Your Gun*, which opens next month, is actually making another bid for a Sunday matinée audience, despite the extra costs and the fact that previous attempts to develop this market fizzled out.

★

The world's most unlikely capitalists must be the staff and audience of the Theatre Royal, Stratford East, who keep the Red Flag flying with the politically correct plays that make up their programme, along with hit musicals. But now a company, Stratford East Productions, has been capitalised with £250,000 from mainly tiny "angels" to take the theatre's current success *The Invisible Man* into the West End.

Stratford's enthusiasm for Shaftesbury Avenue has been fueled by its experience with *Five Men Named Moe* which has totally transformed the commercial fortunes of the theatre. *Moe* started at Stratford where it was picked up by producer Cameron Mackintosh who saw its West End and Broadway potential.

Mackintosh is rich enough to make a generous gesture and he allocated Stratford a third of any profits, plus additional perks: most producers would have offered just 2 per cent of any gross revenues. *Moe* has made over £500,000 for Stratford East.

The Invisible Man attracted its share of commercial producers anxious to take it on but none with an offer that compared to the deal on *Moe*. Hence the decision to form its own production company, which ensures Stratford 40 per cent of any profits with 60 per cent to share among the angels. Other suburban theatres have chased the same money making dream, notably the Lyric Hammersmith and the King's Head, with indifferent success, but Stratford East reckons that it has a certain winner in Ken Hill's adaptation of the H.G. Wells novel. And, to make this a victory for the little man, the biggest backer of the show, with a £50,000 stake, is willing to sell off smaller shares to stage-struck investors.

The only problem now is Christmas. Unless a West End theatre of around 800 seats falls vacant in the next week *The Invisible Man* would face the prospect of a December opening, a bad time to launch a new musical. But with everyone so psyched up, a regional tour could probably keep the cast together for a few more months and permit a 1993 West End debut.

Literary feast in Cheltenham

*Criticism, therapy, crime – **B.A. Young** experiences it all at this year's festival*

This year's Festival, which has just completed its first week, is immensely successful.

The opening day included a memorial reading for Alan Hancox, the Cheltenham bookseller who has long been the Festival's patron saint and occasional director – perhaps mainly of local interest, but the readings were by Ted Hughes, Seamus Heaney, Michael Foot and Melvyn Bragg, no modest assembly. Then a debate, about war correspondents' capacity to give the whole truth, between America's Martha Gellhorn, the BBC's John Simpson, and Max Hastings, Editor of *The Daily Telegraph*, which currently sponsors the Festival. The day's rousing conclusion was Anthony Burgess's Cheltenham Lecture, on translation; his versions of Roman dialect verses included four-letter words seldom heard in that hall.

Is there any special theme? a visitor asked me. Half-a-dozen at least, from which you might choose biography, travel, therapy or crime before reaching mere literary criticism or plain old poetry (for which poets have an hour every day).

Therapy may seem unexpected, but we had an interesting analysis of Salman Rushdie's *Haroun and the Sea of Stories* by Kleinian analyst Hanna Segal. Wordsworth's *Prelude* was psych-ed by Dr Ronald Britton, and George Eliot's *Middlemarch* by A.S. Byatt and Ignes Sodre. For the opposition, *Against Therapy* was a superbly witty attack on therapists by Fay Weldon, in which she read some of her next novel. Travel was sensibly discussed together by Redmond O'Hanlon, Colin Thubron and Gillian Tindall, and less seriously by humorist Miles Kington, who travels with a double-bass.

Crime fielded a strong side. P.D. James asked *How Good are Crime Novels?* – is crime trivialised? can the writer get properly into the criminal mind? As Lady James has entered another field in her newest novel, perhaps she felt too many literary handcuffs. In *Serious Crime*, three days later, Ruth Rendell, Julian Symons and H.R.F. Keating paced the same field with their own individual tread; and next morning, Patrick Marnham discussed Simenon, whose biography he published this year. John Mortimer affectionately offered a parade of both fictional and real villains.

Biography was well represented too. The practice of the art was luminously examined by Hilary Spurling in her account of her researches into Ivy Compton-Burnett's family, and into Paul Scott's undeclared years. Richard Hoggart dealt with the craft of autobiography, having written three. Among the biographers, Richard Holmes was enlightening on the circumstances of Shelley's death; Humphrey Carpenter on Benjamin Britten's life. Three left-wing ex-Ministers, Tony Benn, Barbara Castle and Roy Jenkins, approached the question of political memoirs' truth mainly through their own writing.

Today's theatre was sharply dealt with by critic Michael Billington. London theatre was sacrificed to musicals, while the two great subsidised companies, the Royal National and the Royal Shakespeare, were doing work the world might envy. There were many good young writers, but much of the interesting theatre was in the regions. The previous evening, Billington had been straight man to John Schlesinger's talk on directing films. It was characteristic of the care with which this year's programme was organised that the local Odeon gave showings of the films he spoke of.

Nigel Nicolson was authoritative on *Vita and Harold*; Richard Ingrams devoted on Chesterton; John Julius Norwich and Artemis Cooper assured on the letters between Evelyn Waugh and Lady Diana Cooper. The annual Shakespeare Lecture was given by John Bayley on *Shakespeare's Enemies*, the commentators who impose false emphases or meanings on the plays; and the Cheltenham Lecture by Peter Ackroyd, in a marvellous hour on *Englishness and the English Language*. He traced a specific character in English from Philip Sidney to the middle of the 19th century, the equivalent of Hogarth's "line of beauty" – now no more.

This is no exhaustive view of what we have heard so far in the Festival, superbly directed by Richard Cohen. There was a children's drama festival too, four newly-commissioned plays, that alas I had no time for. More when the Festival is done.

An innocent who strayed

Nigel Andrews puts the 'Woody affair' in perspective

WHEN W.B. Yeats wrote that the "ceremony of innocence is drowned," Woody Allen was not in the poet's mind. But the words could be a copyline pasted onto the latest showbiz scandal to shake the modern world.

"World" is not overstating it, nor is "shake." They talk of it in Italy, where TV stations have been in a pother about showing Allen's series of Italian supermarket commercials. They talk of it in France where *l'affaire Woody* is taken as seriously as *l'affaire Dreyfus*. And in New York and Los Angeles they talk of almost nothing else; though time out is sometimes allowed for the Presidential election to be mentioned.

As for Britain, we will no doubt join the chat-wagon next week when *Husbands And Wives* opens. This is Allen's supposedly semi-autobiographical account of his relationship with Mia Farrow, already breaking up if we believe our screens before all the talk of nude photos, affairs with youngsters and video testimony.

As anyone knows who has followed this story, picking the facts from the furore is about as easy – and as enjoyable – as taking the bones out of a rabbit stew. Public knowledge stretches to the fact that Allen's longtime girlfriend Mia Farrow blew the whistle on his affair with Farrow's adopted daughter Sun-Li shortly after discovering nude photos of Sun-Li in Woody's apartment.

If this had happened to any VIP other than a movie star, we might have had a few week's statutory brouhaha and then the matter would have been ploughed over by history. But scandals in the cinema have a special impact, for we feel we know the performer as a friend. He or she struts before us, blown up to a size where we can examine and approve every physical or moral pore. In comedy this approval is crucial, since with rare sourpuss exceptions like Groucho Marx and W.C. Fields the comedy star is an innocent who wins laughter by straying into accidents.

What happens when they stray into the buckshot of personal scandal we know from movie precedents no less momentous in their day than the Allen affair. Silent comedy star Fatty Arbuckle was ruined by a rape case. Chaplin's conjugal love life was impaled on the front pages when he defended cruelty charges from his wife. (*Inter alia*, he was obliged publicly to defend oral sex as a legitimate marital practice). And recently America's Pee Wee Herman, cinema and TV's Mr

Allen: victim of his cinema persona

Innocence to a generation of sub-teeners, was arrested outside a Florida porn cinema and swiftly subjected to career dismemberment.

Woody Allen, even in this company, is something special. More than a comic, he has presented himself as a social philosopher: giving us highly-wrought moral fables like *September* and *Crimes And Misdemeanors*. And not content with the arm's-length lampoonery of early genre spoofs like *Bananas* and *Sleeper*, Allen has more and more put his own life on screen, barely transmuted in films like *Annie Hall*, *Manhattan* and *Stardust Memories*.

No wonder his fans were doubly scandalised when news broke of his affair with a virtual foster-daughter, soon followed by other salacious rumours. Those fans felt twice conned. First: for them Allen's acting persona had always been that of a bug-eyed sexual incompetent. Second: no get-out clause was available establishing that Allen the man was different from Allen the movie-maker since his own life, not least his own love life and actress-lovers, kept crowding up the screen.

We could say that the Allen scandal, subjected to tabloid microscopy and impending video testimony, is just one piece in an expanding mosaic of disillusioning exposés precipitated by our closed-circuit communications world. What ever goes on today, in any room in the house called Planet Earth, we can see it on the monitor. Fergie topless by the pool; Diana's errant emotional life picked up by a radio ham; Rock Hudson's sexuality rumbled by a state-of-the-art disease. Who can be innocent in a world with such sleepless, sophisticated surveillance powers?

But it's a measure of Allen's own perverse honesty, as his career has evolved, that he has presented himself and the world less and less as a simple collision between primary forces: innocence (himself) and the bewilderments of evil or of mature experience (the world).

As early as *Manhattan* Allen the "innocent" was having a full-blown romance with an under-age girl (Mariel Hemingway). A year later in *Stardust Memories* Allen was a prickly film-maker snapping at his fans and juggling with three love affairs, including another young girl (Jessica Harper). And as if the shrugging off of sexual commandments was not enough, in *Hannah And Her Sisters* we watched Allen shrug off God himself: boldly stepping into a comedy of heresy where he tried and rejected every brand name in the superstore of world religions.

More recently, *September* and *Crimes And Misdemeanors* were all about guilt, and about modern man's agonised oscillation between honesty and concealment in a world where the "eyes of God" might have closed but where other eyes keep eternal watch.

Yet we are still asked by many to believe that Allen's oeuvre is all about knockabout innocence. For the professional moralists who shrill their disappointment at a one-time idol's fall from grace, Moviedom's eternal schoolboy has been caught doing naughty things behind the bike shed. Or worse, that schoolkid has grown up without telling us and is now interfering with other schoolkids.

But those who believe Woody Allen is an artist of innocence stopped watching his films years ago, even if they technically saw them. They arrested time in the late 1960s, *circa Take The Money And Run*, when they first fell in love with a gesticulating human insect gifted with querulous one-liners. They ignored the darker sexual shadings of *Manhattan* and *Stardust Memories* and they shunned overwrought thinkfests like *Interiors* and *Another Woman*.

In some cases they have this critic's sympathy. Allen in earnest mood is not the modern-day Ibsen he thinks he is. But equally he cannot be blamed for presenting an "innocent" persona when that persona was laid off years ago.

None of this would excuse Allen for being less than an "innocent" in real life. But then that is not the real charge movie fans are levelling for the wound they feel he has inflicted on *them*. They believe that Woody Allen's function and achievement was to go on providing them with ceremonies of innocence: to spin an eternal childhood of lovable, stammering incomprehension confronting a wicked, implacable world. For them that ceremony of innocence has been drowned by the scandal. In cinema, once the world's audiences have decided that an artist cannot grow up, he does so only at his own, possibly terminal peril.

Alastair Muir

Soap before it reached television: Tony Slattery (centre) as the love interest

Jazz/**Garry Booth**

Gentle musings from Giuffre's clarinet

PROMOTED as a double bill alongside pianist Don Pullen's trio, it is Jimmy Giuffre's reedy deliberations that is the draw on this rare UK tour. Times and tastes change: 30 years ago, Giuffre's fragile clarinet, set against the subtle colour of pianist Paul Bley and Steve Swallow's yearning electric bass fell out of favour with West Coasters. For nearly a decade Giuffre himself withdrew from performance altogether, made tentative recordings in the 1970s and has only recently re-emerged.

After 26 years absence the reformed drummerless trio's meandering melodies are finding a new audience. ECM, the sophisticated German label, has even re-released the delicate chamber jazz which in the early 1960s was said to have been the group's downfall, *Fusion* and *Thesis*.

A shared peace within its gentle musings remains the key to the trio's attraction today: they do not so much improvise as intimate. Opening with a gentle flurry of notes from the clarinet which is echoed first by Swallow and then by Bley, Giuffre barely leads this dreamy ensemble, with a sound which gives the impression of a reed wrapped in muslin. Switching to alto, a relatively new choice of instrument, the gauze tone is pierced only occasionally, encouraged by the blue washed colours of Bley, who stands up occasionally to change the harmonics by reaching under the lid. Swallow, like the others white haired and dressed in tasteful shades of charcoal, gives structure with wiry plectrum-picked bass lines.

Even as Giuffre, an absent minded character, changes to *almost* lead on soprano, the balance of the trio remains the same. Its overall effect is both soothing and engrossing because although the dynamics of this drummerless group are low, the component improvisation is full of detail. It is only to be hoped that it all reached the back of the hall – from the comfort of the stalls it was touching.

Don Pullen's more conventional trio of piano, upright bass and drums was no less easy on the ear but more likely to reach every corner of the hall. Its leader's big folky melodies – "Richard's Tune", "Variation on Ode to Life", and "Indio-Gitano" – were spelled out in tart notes and backhanded sweeps along the keyboard. The alternately charged runs and then thoughtful rimshot technique of long time partner Cindy Blackman was more than a match for her leaders' own Spanish heel clicking accompaniment. Possibly better known for exciting avalanches of chords, Pullen surprised on this evening, however, with seductive and almost too poignant unfolding cadenzas.

The Contemporary Music Network is sponsored by the Arts Council. The tour continues to Sheffield Crucible Theatre (Oct 18); Leeds Irish Centre (21); Manchester Royal Northern College of Music (22); Cardiff Tythe Barn (23); Birmingham Adrian Boult Hall (24)

Venture to St Pancras

USING the Victorian Gothic vastness of St Pancras Station to show specially commissioned work by a selection of contemporary artists is an exciting idea, which has been brought to fruition in an exhibition organised by Camden Arts Centre. Until November, work by 12 European artists can be seen in a two part show at the station and the gallery.

Northern Adventures, however, is a project that fails to fulfil its promise, partly because of attempting to include too much in its brief, and partly because of the very grandeur of its setting – St Pancras is a hard place to co-opt. What is perhaps most disappointing is how little effort the invited artists appear to have made to do so. To be fair, what appears to be a somewhat tentative intervention is partly explained by the station authorities' duty to protect the listed structure: the piece by Antoni Malinowski, for example, now a subtle curving of painted canvas seeping along the ground from the edges of an entrance archway, was originally a much more adventurous concept. Part of the problem also has been an attempt by the organisers' to hasten the venerable station into the European age.

"Common Knowledge," the piece by Jane Mulfinger which uses the glass panels of the ticket booths to display jokes about "funny foreigners" in a variety of languages seems ill placed in a station from which the furthest destination that I could discover is Leeds. Indeed, the whole ambience of St Pancras is that of a Britain of some other, more innocent age, no later than the 1950s, still firmly rooted in the industrial past celebrated in the iron girders which hold up the station roof and proclaim themselves the work of "The Billerley Company, Derbyshire, 1867".

St Pancras also seems immune from some of the worst of modern station tat. Its kiosks are modest, its refreshment room functioning soberly despite a surface patina of plastic. Here, picking up the mood, Sonia Boyce has printed tablecloths with quotations from *Brief Encounter*. Also taking a suburban theme are pieces from Maya and Stuart Brisley. Hers is a poem reproduced on a steel plate in red and black, his a model of a house made of black steel mesh. Both works have a brooding quality, a sense of doom. "It isn't right to remind people of death like that all the time," a station worker said. bag

The best piece in the exhibition is one that is both its most and its least accessible. Cornelia Parker has produced a set of six postcards of work made in the station hotel, itself forbidden to public access. The photos, richly coloured and beautifully composed, show mysterious installations, some of which make use of the Gothic patterning of the hotel decor – soot making trefoil patterns on floorboards, white chalk repeating decorative motifs on the grey slates of the roof. Parker's work is clever, a wise response to a difficult setting.

Parker pitches it just right, conscious of the works' location in a setting which must inevitably make them look small.

She is also the only exhibitor to address any of the features or problems of the area in which the station is situated: one card shows call girls' advertisement stickers scattered inside the station clock, another shows half-lemons suspended in a window (local residents are used to discovering these, discarded by junkies who use them as a mean of enhancing their fix.)

After dark in the exhibition's final week, Anne Bean and Peter Fink will project a piece on the station facade, shrouded in plastic while restoration work is carried out beneath. Perhaps their skill with projected and other sources of light and flair for dramatic effect will bring "Northern Exposures" the finale its setting deserves.

Lynn MacRitchie

Northern Adventures, Camden Arts Centre until October 20; St Pancras Station to November 15; Camden Arts Centre, Arkwright Road, London NW3 6DG Tel 071 435 2643

Radio/**B.A. Young**

Landscapes of distress

THE PUBLIC exhibition of distressful family relationships is one of Radio 4's less attractive obsessions. A current series on Thursdays, *Relative Values*, offers such examples, not, as you might think, to stop other families falling into these troubles, but simply to display how such folk exist. Last week, Ian Marchant told us how his two marriages had worked out. His first wife died in mid-divorce (due to incompatibility); his second decided to set up a separate home, like Mia Farrow. Surely their problem, not ours?

This week we met the Glaziers. They adopted 9-year-old Fay, daughter of a single parent, who thought they would be a nice family "like in the Bisto advertisements". They had two sons – Robert "lonely" but destructive (he set fire to his school), Stephen more friendly. Fay was deliberately naughty; she got on well with Stephen, but Robert kicked her around. As she grew up, there was jealousy between the boys; then Robert died of pneumonia and Fay became pregnant by Stephen, indeed married him, to his mother's embarrassment as she told the registrar that they were legally brother and sister. The cases are presented by Dr Michael O'Donnell, but without significant comment.

Tomorrow you can hear *Growing Up with Grief*, interviews with people who have experienced the death of a parent in their youth, many of them still young. Their reactions are not uniform: it's taken six years to get over it, says one; next day it was as if nothing had happened, says another. Why did any of them want a million or so listeners to Radio 4 to hear about it? Caroline Snell is the presenter.

A better place for such matters is in the drama, where it can all come right in the end. Monday's *My Girl*, by Barrie Keeffe, is a close-up of a young married couple, Sam and Anita, living in poverty in the East End. They have routine quarrels, another girl is hinted at, the dejections of privation are constantly displayed (though Sam's bank manager allows him vast overdrafts). Yet it ends with the birth of a second baby and the disputes forgotten – though the concluding disc is overlaid with the girl's sobs. Karl Howson and Cathy Tyson are the players, Ned Chaillet the director.

Saturday night's serial (only two parts) is Hawthorne's *The Scarlet Letter*, another landscape of distress, though more imaginative. In Boston, Massachusetts, in 1642, in the witch-hunting era, Hester Prynne is lucky not to be reckoned a witch, for she has had a daughter with no known father. Instead, she has to stand three hours a day on the scaffold, with a red capital A, for adulteress, on her dress. Later, expelled from town, she lives by needlework.

It is a very good tale, more exciting than you might guess, and suitably directed by Tracey Neale. Deborah Findlay is the unhappy Hester. We have yet to learn the role of the young priest, Arthur Dimmesdale, played by Michael Maloney.

Perlimplin

Addicts to the World Service should welcome the new monthly *BBC Worldwide*. At £1.75 in the UK, it includes the old *London Calling*, listing the World Service's English-language radio and television programmes, now bound up with magazine features on news, business, arts and sport. In developing countries, the *London Calling* section may be taken separately, free.

Chess No 945: 1 Qf8. If Ke4 2 9e6 Kd4 3 Qb4. If Kxe5 2 Qc5+ Ke4 3 f3. If Kg5 2 Qb4 and 3 Qh4/f4. If Kg4 2 Qh6 Kf5 3 Qf4.

Nostalgia rules in 'Radio Times'

Malcolm Rutherford on the revival of Noel Gay's musical at the Queen's

NOEL GAY, the composer who died in 1954, is enjoying a remarkable revival. *Me and My Girl* has been running at London's Adelphi Theatre for the last seven years and thoroughly deserves its success. It has an irresistible song in "The Lambeth Walk", as well as a romantic Pygmalion-type story to go with it.

Now we have *Radio Times* at the Queen's which, judging by the reaction of the first night audience, could equally well be a hit. Whether it will survive as long as *Me and My Girl*, taking it almost to the second millennium, depends on the strength of the market for nostalgia, which in Britain should not be underestimated.

For nostalgia is what *Radio Times* is about. There is a slight play on words in the title. This is not *Radio Times*, the magazine: it is the time when radio was dominant, there was practically no television and very little independent broadcasting. Like the old wireless, the show takes a while to warm up.

The year is 1941. The BBC Light Programme, a piece of nostalgia in itself, is transmitting its Variety Bandwagon on the short wave live to the United States of America. There is a political purpose: namely to enlist American support for the British war effort. Yet there is, as always, a British bureaucracy which gets in the way, especially of the BBC. The newly appointed producer is really the censor from the Home Office who wants all scripts submitted in advance. The programme goes ahead only when the censor turns native and agrees to appear in it himself. There are also some romantic attachments – just enough to keep the story alive.

But forget the plot, such as it is. *Radio Times* is primarily an excuse to revive some of that Light Programme music, with biggish bands, jaunty and sentimental songs, corny and sometimes risqué jokes. "What do you get if you cross a leopard and a detective? A spotted dick."

The star moment comes towards the end when Gary Strong, the British-born Hollywood movie star who has returned to England to join the RAF, delivers an address to the Americans on how the British are coping with the blitz. Yes, it is sentimental; it is also moving. The movie star, played by Jeff Shankley, has already shown in the first half that there is still a place for the conventionally handsome, impeccably mannered straight male lead. It might be hard to imagine this in 1992, but Shankley pulls it off.

Other pleasures include the appearance of the 12-man band on stage at the end of the first act: previously the musicians had been mysteriously hidden. Then there is the sound of the bombing after the interval. Sound effects play a large part in the show. There is a wonderful part for a man called Jeeps (played by James Buller) who looks every inch like a BBC recruit *circa* 1940 in pullover and baggy trousers. He is responsible on stage for the amateur sound effects that accompanied the Light Programme. He turns out to be a hero, of course. Not the least attraction, and another part of the nostalgia, are the long, shapely legs of the BBC chorus.

I was less drawn by the love interest between the show's anchorman, played by Tony Slattery, and his fellow performer and girl friend (Kathryn Evans). This is soap before it reached television. Still, they acquit themselves very well and they marry in the end.

As in the nature of musicals some songs are better than others. You cannot quarrel, however, with "Run, Rabbit, Run" and "There's Something About a Soldier". Less well known, but strikingly effective, is Gay's "Just Once More". The show is directed by David Gilmore. He should speed up the start and realise that sometimes that it looks about to be the interval and even the end when it is not. Otherwise, his direction is pretty well without blemish.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Quick Draw McGraw. 7.35 Spider. 7.40 Animal World. 7.50 Litt' Bits. 8.15 Chucklevision. 8.35 Bucky O'Hare. 9.00 Going Live!

12.12 Weather.

12.15 Grandstand. Introduced by Steve Rider, including at 12.20 Football: *Reviewing the week's action in the World Cup qualifying matches.* 1.00 News. 1.05 Snooker from Reading: The Grand Prix. *World champion Stephen Hendry is looking to become the first player to take this title in three consecutive years.* 2.00 Golf from St Andrews: The Dunhill Cup. The world's top 16 teams countries battle it out for the title and £1 *million prize money.* 3.30 Rugby Union from Wembley: England v Canada. 4.35 Final Score. Times may vary.

5.05 News.

5.15 Regional News and Sport.

5.20 Dad's Army.

5.50 Big Break.

6.20 Bobby Davro: Public Enemy No 1.

7.00 Bruce Forsyth's Generation Game.

8.00 Casualty. The staff deal with a badly-burned young man. Duffy turns counsellor when a young *Asian man is admitted with knife slashes across his face.* Comedienne Helen Lederer stars as the wife of a Motor Neurone Disease sufferer.

8.50 News and Sport; Weather.

9.10 Porridge. Fletcher (Ronnie Barker) *comes to the rescue* when Lennie (Richard Beckinsale) jeopardises his parole by fighting.

9.40 Match of the Day. Introduced by Desmond Lynam from Wembley Arena. Boxing: Frank Bruno v Pierre Coetzer. *Live action as Bruno continues his comeback trail towards a third world heavyweight title shot.* Football: High*lights from two FA Premier* League games, and goals and action from the other matches. Commentary by John Motson and Barry Davies.

11.30 Snooker: Grand Prix. David Vine presents action from tonight's fourth-round ties at The Hexagon in Reading.

12.40 Golf: Dunhill Cup. Highlights from today's play at St Andrews.

1.20 Weather.

1.25 Close.

BBC2

8.00 Open University. 9.05 Film: Shoes of the *Fisherman starring* Anthony Quinn and Laurence Olivier. 11.35 Michael Barry's Choice Cuts. 11.45 So You Want to Play Golf with Peter Alliss. 12.15 pm Film: Fuzzy Pink Nightgown starring *Jane Russell*, Ralph Meeker, Adolphe Menjou and Keenan Wynn.

1.40 Network East.

2.10 In Search of the Dead.

2.50 Film: The Harder They Fall. Sports writer Humphrey Bogart *uncovers corruption in the world* of boxing when he takes a job with unscrupulous promoter Rod Steiger. With Jersey Joe Walcott, Max Baer and Jan Sterling (1956).

4.35 The Sky at Night.

4.55 Snooker: Grand Prix. David Vine presents the key frames of the afternoon session from Reading. Ted Lowe, Jack Karnehm and *Clive Everton commentate.*

6.40 Late Again.

7.25 News and Sport; Weather.

7.40 Phantom of the Operetta. How the dramatic events of the last 100 years – the dissolution of the Hapsburg Empire, the rise of Hitler and the spread of communism in Eastern Europe – have left their marks on operetta. Present day inheritors of operetta include *Andrew Lloyd Webber and the* programme suggests that operetta is not as trivial as is usually perceived, with musicals such as "Evita", "Cats" and "Phantom of the Opera" falling into this category.

8.40 Have I Got News for You. John Sessions and Griff Rhys Jones join Paul Merton and Ian Hislop for the topical comedy news quiz. *Chaired by Angus Deayton.*

9.10 Testament of Youth. Roland, on leave from France, and Vera, now nursing in London, prepare to spend Christmas together. But Vera receives bad news as she waits for her fiance to come home. Starring Cheryl Campbell, Emrys James and Jane Wenham.

10.05 The Brain Drain. Jimmy Mulville's guests are Tony *Hawks, Clive Anderson, Sandi* Toksvig and Steve Frost.

10.35 Film: My Name is Nobody. Spaghetti Western with Henry Fonda as a legendary gunfighter whose wish to hang up his pistols is thwarted by a young admirer. *With Terence Hill and Jean Martin* (1974).

12.30 Close.

LWT

6.00 TV-am. 9.25 What's Up Doc? 11.30 Movies, Movies, Movies. 12.00 The ITV Chart Show.

1.00 ITN News; Weather.

1.05 LWT News and Weather; The Day.

1.15 The Smurfs.

1.35 Starting from Scratch.

2.05 Film: Sunset Limousine. A chauffeur unwittingly becomes involved with criminals. Comedy adventure, starring John Ritter and Susan Dey (TVM 1983).

3.50 WCW Worldwide Wrestling.

4.40 ITN News and Results; Weather.

5.00 LWT News; Weather.

5.05 Cartoon Time.

5.20 Dinosaurs.

5.50 Catchphrase.

6.20 Gladiators. Members of the public take on the super-strength of *the Gladiators in a battle of wits,* agility and stamina. With Ulrika Jonsson and John Fashanu.

7.20 Blind Date.

8.20 Beadle's About.

8.50 Dame Edna's Neighbourhood Watch. Edna and her audience get an insight into the dwelling of another surprised contestant as Madge searches the victim's *home for her most intimate* secrets.

9.20 Film: Tightrope. Taut thriller with *Clint Eastwood as a seedy New Orleans detective investigating a* series of brutal sex murders. Genevieve Bujold also stars (Television version) (1984).

11.10 ITN News; Weather.

11.25 LWT Weather.

11.30 Hale and Pace.

12.00 Almost Grown. With Eve Gordon and Timothy Daly.

1.00 Get Stuffed; ITN News Headlines.

1.05 The Big E. European life including fashion, cuisine, entertainment and attitudes.

2.05 Get Stuffed; ITN News Headlines.

2.10 The Gig. *More performances from Scotland and the north-east.*

3.05 New Music.

4.05 Rhythm 'n' Raag.

4.35 The Hit Man and Her.

CHANNEL4

6.00 Early Morning. 10.00 Kabbadi. 10.30 Gazzetta Football Italia – With Paul Gascoigne. 11.30 American Football: Play Action. 12.00 Sign On – Newswatch. 12.30 pm Songs and Memories.

1.00 Film: Steamboat Bill Junior. A wimpish student tries to prove his *manhood by taking over* a steamboat. Silent comedy starring Buster Keaton with Ernest Torrence and Marion Byron (1928).

2.15 Racing from Newmarket. Including the 2.25 Philip Cornes Houghton Stakes, 3.00 Tote Cesarewitch (H'cap), 3.35 Olivier Douieb Memorial Handicap, 4.15 Dubai Champion Stakes and 4.45 Bentinck Stakes.

5.05 Brookside.; News.

6.30 Right to Reply. Barrister Sarah Moore examines the pros and cons of allowing television cameras *into the courtroom and asks* the opinions of both Jani Allan, the South African journalist who brought a libel action against Channel 4, and George Carman QC who defended the case.

7.00 Desert Brothers. Examining the life of Charles de Foucauld, a French monk who founded a monastery in the Sahara. One of his followers visits Algeria to dis*cover more about the man who inspired him.*

8.00 Kingdom of the Plains. Former game warden Trevor Simon visits *Kenya's Tsavo plains.*

9.00 Court TV: America on Trial. Cynthia McFadden presents a programme devoted to extracts from three trials: New York v Pacheko, Florida v Martinez Garcia and New York v Nelson.

10.00 Film: A Child from the South. Journalist Josette Simon returns to Mozambique after 20 years in exile to discover more about her country's history and her own identity (1991).

11.45 Jonathan Ross Presents "Erotica". Following his television interview with Madonna, Jonathan Ross again introduces "Erotica", the controversial video *for her latest single.*

11.55 Let the Blood Run Free.

12.25 Film: Ten Little Indians. Ten people, invited to a house in the Austrian Alps, are murdered by a mysterious assailant. Starring Wilfrid Hyde-White and Dennis Price (1966).

2.05 Convict 13.

2.25 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 1.05 Anglia News. 1.10 Starting from Scratch. 1.35 Chequered Flag. 2.05 McCloud: Sharks. (1974) 5.00 Anglia News and Sport 5.15 Cartoon Time. 11.25 Regional Weather.

BORDER: 1.05 Border News. 1.10 Kick Off. 1.30 Desert Mice. (1959) 3.00 Granada Sports World. 5.00 Border News.

CENTRAL: 11.30 The Mountain Bike Show. 1.05 Central News 1.10 Rocksport. 1.25 The Life and Times of Grizzly Adams. 2.20 Superman. 2.50 Brand New Life. 3.45 Cartoon Time. 5.00 Central News 5.05 The Central Match – Goals Extra. 5.15 *Cartoon Time. 11.25 Local Weather.*

CHANNEL: 11.30 Blockbusters. 1.05 Diary Dates. 1.10 Motor Sport Special. 1.40 *The Red Fury.* (TVM 1985) 3.20 *Zorro.* 3.45 *The A-Team.* 5.00 Channel News. 5.05 Puffin's Pla(i)ce. 5.15 Cartoon.

GRAMPIAN: 1.05 Grampian Headlines 1.10 Calptean Planaid. 1.40 *Culrm Cloimne 1.50 Sabhal Mor Ostaig* 1992 Lecture. 2.20 Chequered Flag. 2.50 Life and Times of Grizzly Adams. 3.45 Out of Limits. 5.00 Grampian Headlines and Weather 5.05 Put It in Writing. 11.25 Grampian Weather.

GRANADA: 11.30 *Zorro.* 1.05 Granada News 1.10 Kick Off. 1.30 Carry On Constable. (1959) 3.00 Granada Sports World. 5.00 Granada News 5.10 Granada Goals Extra.

HTV: 1.05 HTV News. 1.10 The Girl in the Picture. (1957) 2.15 Incredible Stunts and Jumps. 2.45 Chequered Flag. 3.20 Once a Hero. (1987) 5.00 HTV News and Sports Results

SCOTTISH: 1.05 Scotland Today. 1.10 Calptean Planaid. *1.40 A Boy Named Charlie Brown.* (1969) 3.15 Highway to Heaven. 4.10 Bullseye. 5.00 Scotsport Results. 5.15 Scotland Today 11.25 Scottish Weather.

TSW: 11.30 The South West Week. 1.05 TSW News. 1.10 Discovering Gardens. 1.40 International Yacht Racing. 2.10 Invitation to Remember. 2.40 Crooks and Coronets. (1969) 5.00 TSW News. 5.05 Gus Honeybun's Cartoon Time. 11.25 TSW Weather.

TVS: 11.30 Blockbusters. 1.05 TVS News. 1.10 Motor Sport Special. 1.40 The Red Fury. (TVM 1985) 3.20 Zorro. 3.45 The A-Team. 5.00 TVS News. 5.15 Cartoon.

TYNE TEES: 1.05 Tyne Tees News. 1.10 1992 Mountain Bike Championships. 1.40 Chequered Flag. 2.10 Girls at Sea. (1958) 3.45 The Life and Times of Grizzly Adams. 5.00 Tyne Tees Sport Special.

ULSTER: 11.30 Superman. 1.05 Ulster Newstime 1.10 Saturday Sport. 1.20 Achilles. (1962) 3.20 Movies, Movies, Movies. 4.35 Goal of the Week. 5.00 *Ulster News 5.05 Saturday Sport. 11.25 Ulster* Newstime

YORKSHIRE: 11.30 The Munsters Today. 1.05 Calendar *News. 1.10 The A-Team. 2.00 Cartoon.* 2.05 Cactus Jack. (1979) 3.45 Baywatch. 5.00 Calendar News. 11.25 Local Weather.

SUNDAY

BBC1

7.35 Film: Merrily We Live. 9.10 News. 9.15 *Start Your Own Religion. 9.30 This is the Day.* 10.00 See Hear! 10.30 Inside English. 10.45 Lingo! 11.00 Careering Ahead. 11.30 Winning.

12.00 Spain on a ***Plate.***

12.30 CountryFile. Profiling rambler and radio broadcaster Rev Bramwell Evans.

12.55 Weather for the Week Ahead; News.

1.00 On the Record.

2.00 EastEnders.

3.00 Eldorado.

3.30 Film: The Crimson Pirate. An 18th century pirate teams up with an eccentric inventor to lead a rebellion against an evil tyrant. Starring Burt Lancaster and Nick Cravat (1952).

5.10 Biteback. Carole Stone puts viewers' complaints to the weathermen, and black police constable *Gareth Reed expresses doubts* about the recent BBC drama Black and Blue.

5.50 The Clothes Show. Colin McDow*ell explores the history of hats* and hairdresser Charles Worthington shows the autumn styles. Plus, the latest designs in leather.

6.15 The Survival Guide to Food.

6.25 News.

6.40 Songs of Praise. Martin Bashir visits the Wirral Christian Centre in Birkenhead and meets the Rev Paul Epton, who has seen his *congregation grow from 14 people* to 1,500.

7.15 Keeping Up Appearances.

7.45 The House of Eliott. The Duchess of Bridgewater is introduced to the House of Eliott, although trouble brews when a confidential secret is exposed.

8.40 Birds of a Feather.

9.10 News and Weather.

9.25 Screen One: Losing Track. *Estranged father Alan Bates returns to Wales to attend his* wife's funeral and faces an emo*tional reunion with his 12-year-old son.*

10.40 Everyman. The story of two South African priests who face a choice between peace and war. Everyman assesses the options facing the repressed townships through the eyes of two holy men with *opposing views.*

11.20 Off the Back of a Lorry. Mike Scott tours Europe to discover if the 1992 single market is benefi*cial for British business.*

11.50 Weather.

11.55 Close.

BBC2

7.30 Felix the Cat. 7.45 Playdays. 8.10 Smoggies! 8.35 *Animal Album.* 8.50 *Orville and Cuddles.* 8.55 Bitsa. 9.15 The Legend of Prince Valiant. 9.40 The Wetter the Better. 10.05 Thundercats. 10.30 Uncle Jack and the Dark Side of *the Moon. 10.55 Blue Peter* Omnibus. 11.45 The O Zone. 12.00 Thunderbirds. 12.50 pm The Invaders.

1.40 Golf and Snooker. *Golf: Dunhill* Cup from St Andrews. Two countries compete for a first prize of £300,000 in the final of this knockout competition. Peter Alliss, Bruce Critchley and Alex Hay commentate. Snooker: Grand Prix. David Vine introduces action from The Hexagon in Reading.

5.00 Rugby Special. Action from England v Canada at Wembley *Stadium. Chris Rea introduces* the first rugby union international fixture to be played at the famous venue. Commentary by Nigel Starmer-Smith and Paul Ackford.

6.00 Snooker: Grand Prix. Continued coverage from Reading.

6.35 The Money Programme. Michael Robinson reports on the latest crisis to hit the American economy. As the presidential cam*paign enters its final phase, the* USA's failure to successfully compete with its industrial rivals has become a key election issue.

7.15 The Living Planet. David Attenborough explores the varied wildlife of remote tropical islands.

8.10 Did You See? Jeremy Paxman and guests Mary Archer, Desmond Lynam and John Sessions review Channel 4's The Golden *Girls, BBC1's Screen One: Running* Late and BBC2's Splendid Hearts.

8.40 The Look. Examining the use of fabric in the designs of Issey Miyake, Gianni Versace and Christian Lacroix.

9.30 Building Sights Europe. Architecture critic Paola Antonelli sings *the praises of the Piccolo Teatro* Studio in Milan.

9.40 A Word in Your Era.

10.10 Snooker: Grand Prix.

10.40 Black Poppies. Black servicemen's true-life experiences *from World War Two to the* present day.

11.40 Snooker. Grand Prix. The closing *action from round four as the last* 16 places are decided.

12.25 Golf. Dunhill Cup from St Andrews. Steve Rider introduces *highlights from today's final in* the team knockout.

1.05 Close.

LWT

6.00 TV-am. 9.25 The Disney Club. 10.45 Link. *11.00 Morning Worship. 12.00 The Human Factor.* 12.30 pm LWT News Weekend.

1.00 ITN News; Weather.

1.10 Walden. Brian Walden interviews Foreign Secretary Douglas Hurd; The Day.

2.00 Bullseye.

2.30 The London Match. Charlton v Millwall. Ian St John introduces live coverage from Upton Park, with commentary *by Brian Moore.* Plus, highlights of today's *north-east derby between* Sunderland and Newcastle and the Midlands game between Leicester and Peterborough.

5.05 Baywatch.

6.00 Animal Country. *Desmond Morris* and Sarah Kennedy look at Italian hunting dogs and peacocks.

6.30 ITN News; Weather.

6.35 LWT News; Weather.

6.40 Appeal. Christopher Timothy speaks on behalf of The Sick Children's Trust.

6.45 Highway. Sir Harry Secombe visits the fenland town of Boston, Lincolnshire, the *original home of the pilgrims who founded Boston,* Massachusetts.

7.15 Second Thoughts. New series. Bill is fed up with work at Vista magazine, while Faith faces a difficult situation.

7.45 The Ruth Rendell Mysteries. Part one of The Mouse in the Corner. George Baker as Det Insp Wexford is puzzled by the strange behaviour of a group of women.

8.45 London's Burning. *Blue Watch is* called to an horrific motorway pile-up. Bayleaf's personal problems escalate as the custody battle for his daughter comes to a head. Sicknote finds his relationship with Cynthia is becoming less than businesslike. Starring James Hazeldine, Richard Walsh and Judi Lamb.

9.45 ITN News; Weather.

10.00 LWT Weather.

10.05 Spitting Image.

10.35 The South Bank Show. Peter O'Toole talks to Melvyn Bragg about *his life and career as an* actor with a reputation for hellraising and the ability to surprise.

11.35 Cue the Music.

12.35 Derrick; ITN News Headlines.

1.45 The ITV Chart Show.

2.45 Get Stuffed; ITN News Headlines.

2.50 Night Heat.

3.50 Pick of the Week.

4.30 Memories of 1970-1981.

CHANNEL4

6.00 Early Morning. 9.25 Laurel and Hardy. 9.30 *Dennis. 9.45 Flipper. 10.15 If Wishes were* Horses. 10.45 Voyage to the Bottom of the Sea. 11.45 Little House on the Prairie.

1.10 Film: Rawhide. Tyrone *Power* and luckless traveller Susan Hayward are held captive by outlaws. Western, also starring Dean Jagger (1951).

2.45 Football Italia. Live coverage of AC Milan v Lazio.

5.00 Four-Nations: Sound.

5.10 News.

5.15 Greed and Glory New series. What caused the collapse of the yuppie boom? In the 1980s Lon*don was full of Porsches and 10* million Britons owned shares. But the era of freedom for financial markets brought huge losses and empty offices.

6.00 The Miraculous Mellops.

6.30 The Cosby Show.

7.00 Equinox: Antichaos. Scientists present a new theory about the complex order of natural phenomena. Since Einstein discovered the principle of relativity, the structure of the universe has *related to uncertainty and chance* – until the theory of antichaos was born.

8.00 The Royal Collection. *New series.* Prince Charles introduces six programmes looking at the Queen's unique collection of paintings.

8.30 American Football. Today's programme features the Philadelphia *Eagles at the Washington Redskins* and the Kansas City Chiefs at the Dallas Cowboys.

10.00 Film: The Cruel Sea. Jack Hawkins stars as the captain of a *warship* engaged in the Battle of the Atlantic. World War Two drama, *based on the best-selling novel*, also starring Denholm Elliott, who died recently (1953).

12.20 Film: I, The Worst of All. Following the last years of famed 17th century poet Sister Juana Ines de la Cruz (Assumpta Serna), who was *forced by the* Church to renounce her passionate writings (1990).(English subtitles).

2.20 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.30 Gardening Time. 12.50 Anglia News. 2.00 Heirloom. 2.30 Candid Camera Classics. 2.45 Anglia Match. 5.00 Stuntmasters. 5.30 *Bullseye.* 6.35 Anglia News. 11.35 The Young Riders.

BORDER: 12.30 Gardening Time. 12.55 Border News. 2.00 Chequered Flag. 2.30 *Tiger Bay.* (1959) 4.30 Animal Country. 5.00 Scotsport. 6.00 Bullseye. 6.35 Border News. 11.35 Prisoner: Cell Block H.

CENTRAL: 12.30 Gardening Time. 12.55 Central News 2.00 Memories of 1970-1991. 2.45 The Central Match – Live. 6.00 Bullseye. 6.35 Central News 11.35 Science Fiction.

CHANNEL: 12.30 Reflections. 12.35 Les Francais Chez-Vous. 12.50 Télé-Jornal. 2.00 The Parent Trap. (1961) 4.30 Bullseye. 6.35 Channel News.

GRAMPIAN: 10.45 Heidi. 11.15 Right or Wrong. 11.45 Link. 12.30 Jack Thompson Down Under. 12.55 Grampian Headlines. 2.00 The Nature of Things. 3.00 Great Planes. 4.00 Animal Country. *4.30 Bullseye. 5.00* Scotsport. *6.00 Scotland's* War. 6.35 Grampian Headlines 10.00 Grampian Weather. 11.35 Prisoner: Cell Block H.

GRANADA: *12.25 Chalte, Chalte. 12.55* Granada News 2.00 Granada Action with the A Team. 2.30 Cartoon Time. 2.45 McCloud. 4.30 House Style. 5.00 Bullseye. 5.30 Coronation Street. 6.35 Granada News 11.35 Prisoner: Cell Block H.

HTV: 12.30 West Country Farming. 12.55 HTV News. 2.00 Challenge of the Seas. 2.30 Cartoon Time. 2.40 WCW Worldwide Wrestling. 3.30 Stella Dallas. (1937) 5.30 Bullseye. 6.35 HTV News.

SCOTTISH: 10.45 Glen Michael's Cartoon Cavalcade. 11.15 Link. 11.30 An Indian Summer. 12.30 Science *Fiction. 12.55 Scotland Today.* 2.00 The Man Who Knew Too Much. (1956) 4.05 Baywatch. 5.00 Scotsport. 6.00 Scotland's War. 6.35 Scotland Today 11.30 Sprockets.

TSW: 12.30 TSW Farming Week. 12.55 TSW News. 2.00 Rock Sport. 2.20 Gus Introduces Frootie Tooties. 2.30 Highway to Heaven. 3.25 Dreams of Gold: The Mel Fisher Story. 5.00 Bullseye. 5.30 Cobblestones, Cottages and Castles. 6.35 TSW News. 11.35 Prisoner: Cell Block H.

TVS: 12.30 TVS News. 12.35 Agenda. 2.00 The Parent Trap. (1961) 4.30 Bullseye. 6.35 TVS News.

TYNE TEES: 12.25 Earthmovers. 12.55 Tyne Tees News. 2.00 Dogs With Dunbar. 2.30 Biggin Hill Air Fair. *3.30 The Tyne Tees Match. 5.00 Animal Country.* 5.30 Bullseye. 6.00 Pieces of Parkin. 6.35 Tyne Tees News. 11.35 Frank Sinatra – The Voice.

ULSTER: 12.30 Gardening Time. 12.55 Ulster Newstime 2.00 The Bridge at Remagen. (1968) 4.05 Baywatch. 5.00 Bullseye. 5.30 Coronation Street. 6.35 Ulster Newstime 10.00 Ulster News 11.35 Prisoner: Cell Block H.

YORKSHIRE: 12.25 Chuck Jones Special. 12.50 Calendar News. 2.00 Highway to Heaven. 2.55 The Match. *4.30 Only Joking. 5.00 Animal Country.* 5.30 Bullseye. 6.00 Calendar. 6.35 Weather – The Week Ahead. 11.35 Frank Sinatra – The Voice.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne Robinson. 12.00 Nick Barraclough's New Country. 1.00 Beyond Our Ken. 1.30 The *News* Huddlines. 2.00 Ronnie Hilton. 3.00 Steve Race. *4.00 Brill Cream.* 5.00 Cinema 2. 5.30 Screenplay. 6.00 Bob Holness Requests the Pleasure. 7.00 Back Numbers. *7.30 Mr Wonderful.* 9.30 Easy Does It. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 John *Terrett. 4.00 Barbara* Sturgeon.

BBC RADIO 3
6.55 Weather.
7.00 Record Review.
1.00 News.
1.05 Bath International Festival 1992.
2.30 Music from 17th Century Italy.
3.00 Vienna: The Philharmonic Years 1842-1992.
5.00 Jazz Record Requests.
5.45 Third Opinion.
6.30 Brahms and Hindemith.
7.10 The Marriage of Figaro.
10.30 In Preparation.
11.00 Impressions.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 Talking Politics.
11.30 From Our Own Correspondent.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
2.00 Any Answers?
2.30 Saturday Playhouse.
3.45 Lunching the Hokey-Cokey.
4.00 You Don't Have to Work to Be *Mad* Here.
4.30 Science Now.
5.00 The Living World.
5.25 Fourth Column.
6.00 News and Sports Round-up.
6.25 Week Ending.
6.50 Ad Lib.
7.20 Kaleidoscope.
7.50 Classic Serial.
8.50 Work Talk.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Whirly Birds Are Go!
10.45 Joining the Cubs.
11.00 Mirrored in Music.
11.30 The Miles and Millner Show.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service: Newshour.
6.30 Weekend Edition.
9.30 Get Set.
10.30 Tales of the Texas Rangers.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
5.00 Sports Report.
6.00 Six-O-Six.
7.30 Le Top.
8.00 Afropop Worldwide.
9.45 International Boxing.
10.15 On the Level.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
5.45 Programmes in German. 6.30 Europe Today; Weather. 7.00 News; The World Today. 7.30 Programmes in French. 8.00 Newsdesk. 8.30 People and Politics.
9.00 News; Words of Faith; A Jolly Good Show. 10.00 News; Business Report; Worldbrief. 10.30 Personal *View. 10.45 Sports Roundup.* 11.00 News Summary. 11.01 Jazz Now and Then. 11.15 Letter from America. *11.30 Waveguide;* Book Choice. 11.45 From the Weeklies. 12.00 Newsdesk; Travel News. 12.30 BBC *English.* 12.45 Mittagsmagazin. 1.00 News; Words of Faith. 1.15 Multitrack 3. 1.45 Sports *Roundup.*
2.00 Newshour. 3.00 Club 648. 3.15 Sportsworld. 4.00 News. 4.15 Sportworld (Continued). 5.00 News; BBC English; News Headlines in *French. 5.30 Programmes in* German.
6.00 News Summary; Omnibus. 6.30 Programmes *in French. 7.00 Newsdesk.* 7.30 Programmes in German. 9.00 News; Personal View. 9.25 Words of Faith. 9.30 Europe This Weekend. 9.55 European Sports News.
10.00 Newshour. 11.00 News; Meridian. 11.45 Sports Roundup. 12.00 News; Words of Faith; Book Choice. 12.15 A Jolly Good Show. 1.00 Newsdesk.
1.30 The Ken Bruce Show. 2.00 News Summary. 2.01 Play of the Week: Double Cross. 3.00 Newsdesk. 3.30 Remembering Proust. 4.00 News; News About Britain. 4.15 Sports Roundup.

CLASSIC FM
6.00 Sarah Lucas.
9.00 Classic CD Chart *Rundown.*
12.00 Petroc Trelawny.
3.00 Adrian Love.
6.00 Classic America.
7.00 Introduction to the Opera.
10.00 Classic Quiz.
12.00 Andre Leon.
2.00 Classic CD Chart Rundown.
3.00 Andre Leon.
4.00 Classic America.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 8.05 John Sachs. 12.00 Desmond Carrington. 2.00 Benny Green.
3.00 Alan Dell. 4.00 Tea at Claridge's. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 *Richard Baker. 8.30 Sunday* Half Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Nick Barraclough's New Country. 1.00 John Terrett. 4.00 Alex Lester.

BBC RADIO 3
7.00 Sunday Morning Concert.
9.00 News.
9.05 Brian Kay's Sunday Morning.
12.00 Spirit of the Age.
1.00 News.
1.05 Replay.
1.20 Berlin Philharmonic.
2.25 Schubert Songs.
2.50 Lufthansa Festival of Baroque Music.
4.05 Listening to – Oliver Messiaen.
4.50 Messiaen: Catalogue d'Oiseaux.
5.25 The Mystery of the Rosary.
6.30 Nikolai Demidenko.
7.30 The British Line.
9.45 Sunday Play.
10.55 Music in Our Time.
12.10 In Memoriam: Stravinsky.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 The Living World.
7.40 Sunday.
8.00 News.
8.10 Sunday Papers.
8.50 Ken Dodd.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Sunday Playhouse.
3.30 Eat Your Heart Out Walter Mitty.
4.00 Analysis.
4.47 Treasure Islands.
5.00 Kershaw On.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 The Village.
6.30 Servants of the Empire.
7.00 In Business.
7.30 Bookshelf.
8.00 Opinion.
8.30 Enterprise 92 Awards.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 Growing Up with Grief.
11.00 Conscience be my Guide.
11.30 Seeds of Faith.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service: *Newshour.*
6.30 Weekend Edition.
9.30 Whoppers.
10.00 Johnnie Walker.
11.30 Fantasy Football League.
12.30 Sunday Brunch.
1.40 Open Forum.
2.00 Kitchen Cabinet.
2.30 Room 101.
3.00 Sunday Sport.
6.00 Walking in Big Footsteps.
6.30 Education Matters.
7.15 How We Lived Then.
7.30 When in Italy.
8.00 Restart French.
8.30 Deutsch Express.
9.00 Dragnet.
9.30 Club Class.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE
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5.45 Programmes in German. 6.30 News Summary; Europe This Weekend. 6.55 European Sports News. 7.00 News. 7.15 Letter *From America. 7.30* Programmes in French. 8.00 Newsdesk. 8.30 From Our Own Correspondent. 8.50 Write On. *9.00 News;* Words of Faith; Classics with Kay. 10.00 News; Business Review. 10.15 Short Story: Monkeys. 10.30 Folk in *Britain. 10.45 Sports* Roundup. 11.00 News Summary; Science in Action. 11.30 In Praise Of God. 12.00 Newsdesk. 12.30 BBC English. 12.45 News and British Press Review in German. 1.00 News Summary. 1.01 Play Of The Week: Double Cross. 2.00 Newshour. 3.00 News Summary. 3.01 About Face. 3.30 Anything Goes. 4.00 News. *4.15 Concert Hall. 5.00* News; News About Britain. 5.15 BBC English. 5.29 News Headlines in French. 5.30 *Programmes in German.* 6.00 News and Business Review. 6.15 Club 648. 6.30 Programmes in French. 7.00 *Newsdesk. 7.30 Programmes* in German. 9.00 News; Folk in Britain; Words of Faith. 9.30 Europe Tonight. 10.00 *Newshour. 11.00 News;* Meridian. 11.45 Sports Roundup. 12.00 News; Business Review; Classics with Kay. 1.00 *Newsdesk.* 1.30 In Praise Of God.

CLASSIC FM
6.00 Sarah Lucas.
9.00 Classic Romance.
12.00 CD Requests.
2.00 Celebrity Choice.
3.00 Robert Booth.
7.00 Book Browse.
8.00 Classic FM Concert.
10.00 Sunday Night Out.
11.00 Contemporary Classics.
12.00 Andre Leon.
2.00 Classic Romance.

CHESS

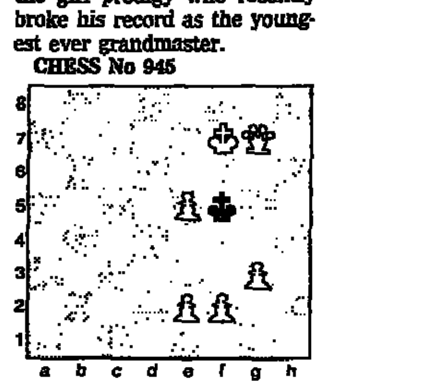
BOBBY FISCHER'S comeback stalled in Belgrade this week where Boris Spassky, who seemed ailing and defeatist when he trailed 2-5, has regained his old resilience. Fischer is currently 7-4 ahead after 20 games in the race for ten victories and a record £1.8m first prize, but he is losing his other race to be a credible opponent for world champion Gary Kasparov.

Fischer botched game 19, where he only drew a queen and pawn ending two pawns up. In game 20 Spassky revived his favourite 2 Nc3 against the Sicilian Defence, forked Fischer's rooks with a knight, and won in 43 moves.

Ominously, Fischer has begun to complain about being disturbed by Spassky's frequent comings and goings from the cubicle each player uses for off-stage rest. A similar dispute almost aborted Spassky's 1979 match with Viktor Korchnoi, also in Belgrade, when Spassky preferred to analyse on a demonstration board rather than sit opposite his opponent.

Fischer is also negotiating for his next match. Both Nigel Short and Jan Timman abandoned possible visits to Belgrade after hearing that plans were far advanced for a £1.4m series in December between Fischer and Judit Polgar, 16, the girl prodigy who recently broke his record as the youngest ever grandmaster.

CHESS No 945



White mates in three moves, against (by V Cisar, 1909). The lone king seems an easy prey for White's king and pawns, but 1 Qf6+? Ke4 fails to mate while 1 f3? concedes stalemate.

Solution Page XXII

Leonard Barden

BRIDGE

THIS hand comes from rubber bridge of moderate standard:

	N	
	♠ J 10 8 5 ♥ 7 5 2 ♦ J 7 ♣ K 10 9 5	
W ♠ A 3 ♥ A J 10 8 4 3 ♦ Q 9 5 2 ♣ 2		**E** ♠ 4 2 ♥ K Q 9 ♦ 10 6 4 3 ♣ A Q J 4
	S ♠ K Q 9 7 6 ♥ 6 ♦ A K 8 ♣ 8 7 6 3	

South dealt at love all, and opened the bidding with one spade, West said two hearts, North gave a doubtful raise to two spades, and East went to four hearts. With little defence against the heart contract, South decided to sacrifice with four spades, hoping to be no more than two down. West's double ended the auction.

Since he had ace and another trump, West opened with his singleton club, on which dummy played low, East took with knave, cashed his ace,and gave his partner a ruff by following with the four. Then the heart and spade aces put the contract two down.

To score 300 points instead of making game in hearts was poor compensation, but better defence by East would have increased it to 500. After winning trick one with his club knave, East should not cash his ace, but play the four. This retains the major tenace over dummy, and forces declarer to lose three club tricks as well as the ruff.

COMPETITION

There was a misdeal in question four last week.
The correct version is:
You hold: ♠ K 6 4 2, ♥ A, ♦ K 7 6 2, ♣ A 8 4 3.
If your partner opens:
a) 1 NT,
do you bid 2 ♣ or 3 NT?
b) 2 ♠,
do you bid 3 ♠ or 3 ♣?
c) 3 ♥,
do you pass or bid 4 ♥?
d) 4 NT,
do you bid 5 NT or 5 ♥?
e) 5 ♥,
do you bid 7 NT or 7 ♥?
f) 1 ♠,
do you bid 2 ♣ or 4♠?

The competition deadline is extended until October 29. Send your answers to:
Bridge Plus, Ryden Grange, Bisley, GU21 2TH.

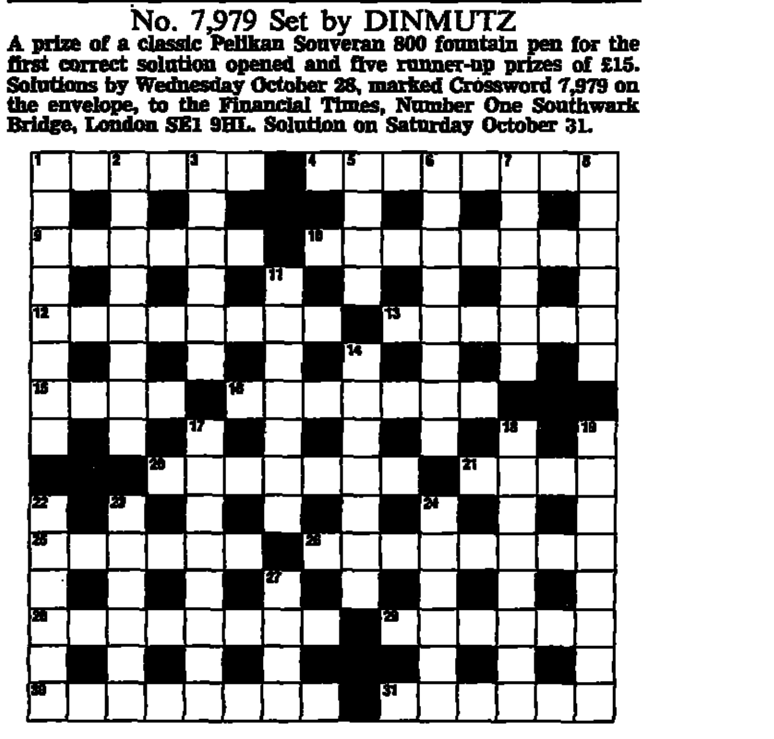
All entrants will receive a free copy of Bridge Plus magazine together with the results of the competition. First prize is a Pro-Bridge 510 computer from the bridge computer specialists whose correct telephone number is: *0258-840-285.*

E P C Cotter

CROSSWORD

No. 7,979 Set by DINMUTZ

A prize of a classic Pelikan Souveran 800 fountain pen for the first correct solution opened and five runner-up prizes of £15. Solutions by Wednesday October 28, marked Crossword 7,979 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday October 31.



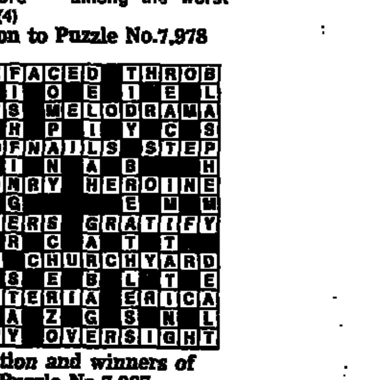
Name...

Address...

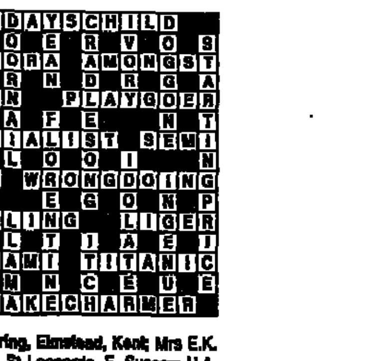
ACROSS
1 This bird is a target for some (6)
4 Sound of bells in battle (4-4)
9 Retrograde films of single masters, say? (6)
10 List of terms Gray used, admitting defeat (8)
12 Rev up? (3-5)
13 Colourless sort released on bail (6)
15 Clothing for a midnight listener? (4)
16 Tell of drama in the polling-station! (7)
20 Chap's in trouble at sea – what should he eat? (7)
21 Flu, we hear, takes a hold (4)
25 Seat given up, would you say? (6)
26 RA cursed wildly as champion (6)
28 Function in which pâté is spread by bohemian . . . . (3-5)
29 . . . . even though I table motion (6)
30 Was in front from the off – surprised? (8)
31 Petition of pair before new year (6)

DOWN
1 Cruel treatment of motorway banger, with a bit missing (8)
2 Satisfactory annual report for the old devil (8)
3 One politician, broadcasting, can be blunt (6)
5 "No sense have they of —— to come" (Gray) (4)
6 22's spirit may reveal lion's age (8)
7 Lower sail damaged needs this plant (6)
8 Antifreeze used in ugly, cold weather (6)
11 Senior lady, long finished outside (7)
14 Business worry? (7)
17 Public drive can be mine! (4-4)
18 Hard work for Barnaby in tedious environment (8)
19 One is frequently called a shyster (8)
22 Specifies conditions (6)
23 Overseas visitors defeated by England's slow bowler? (6)
24 He was the local stableman (6)
27 Eyesore – among the worst yet? (4)

Solution to Puzzle No.7,978



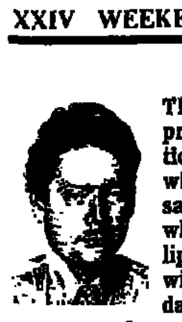
Solution and winners of **Puzzle No.7,967**



Mrs J. Perring, Elmstead, Kent; Mrs E.K. Alexander, St Leonards, E. Sussex; H.A. Emerson, Kingsbridge, Devon; N.G. Hanson, Abbotsbury, Dorset; L.J. Shutt, Overton, W. Yorkshire; Mrs P. White, Mickleover, Derbyshire.

Suddenly, it's the S-word

***Dominic Lawson** wonders if there hasn't been some economic over-reaction*



THIS YEAR'S US presidential election is notable for what has not been said, rather than what has passed the lips, read or otherwise, of the candidates. In particular, no one, so far as I am aware, has asked of any of the contenders: "Will it be safe if his finger is on the button?"

As older readers than I will remember, it was that question which ditched Barry Goldwater's presidential campaign back in 1964. Voters had a genuine fear of being blown to smithereens, or something even messier, in a nuclear holocaust. But no one even talks about fingers on nuclear buttons these days. The greatest of all our fears has ended with the cold war.

And yet, human nature being what it is, we are no happier, no more relaxed. Indeed, recent polls of American opinion, for what such polls are worth, suggest that peace between the superpowers has not increased one jota the happiness of those formerly in the firing line.

What seems to happen, in fact, is that we experience a roughly constant level of panic and stress which we attribute not to our own neuroses but to whatever external factor seems to be the most distressing to us. In the cossetted west, this leads us into an absurd misuse of language.

You may recall the newspapers and television programmes at the time of Black Wednesday. Even the non-tabloid papers used words such as "catastrophe" and "disaster" and "nightmare."

Normally sober-suited men from the Bank of England described the occasion as the "national day of humiliation."

Yet, all that had happened was that the pound had been forced to find its own level against the D-mark – not by any means an unprecedented, or unfamiliar, or even damaging state of affairs.

At about that time, I took out to lunch someone who had recently spent a number of years in eastern Europe. She could not understand the angst of the British press, expressed in such hysterical form.

"If you use words like these to describe what has happened on the foreign exchange market, what words will be left for you to employ when you experience a real disaster?" she asked.

"In Poland, we have just endured a 40 per cent drop in industrial output. What word would an Englishman use to describe that, if it happened here?"

Now, following the announcement of 30,000 redundancies in the coalfields, the commentators are wheeling out the S-word. What will they say if we really do enter a slump? Clearly, a new word will have to be invented.

For the time being, headline writers talk of "male unemployment reaching levels not seen since 1930s." Yes; but, as in all things, it is proportions that count.

Male unemployment is now about 10 per cent of the workforce. In 1932, the figure was 23 per cent. In the past 20 years, the British labour force has grown by 3.2m. Ninety per cent of those new jobs went to women. The two-income family, almost unknown in the 1930s, is now a commonplace, with all the added security that it brings.

There is, however, an awful danger that the hysterically gloomy prognostications of the pundits will bring about precisely the dire state of affairs which they fantasise about. If people believe what they read in the newspapers, or are influenced subliminally by them, then certain things inevitably will follow.

Items of domestic spending, which could be afforded easily, will be postponed. Businessmen thinking of taking on new staff will, instead, start to wonder if they shouldn't actually be laying off workers.

One of the less attractive aspects of a market economy is the stampede factor. When one businessman moos and runs for cover, others lower their horns and head for the same hills. To mix the metaphor still further, we can observe that there are rather too many people about who enjoy shouting "Fire" in a crowded theatre.

Such people often forget a minor detail: that they are as likely as anyone else to get crushed in the ensuing rush for the sign marked Exit. Unlike the man with his finger on that old-fashioned nuclear button: he, at least, had his own personal bunker.

■ *Dominic Lawson is editor of The Spectator*

Time running out

Michael Thompson-Noel

Britain's spiralling descent into impotence and despair so wrecked my week that I resorted to reading advertisements as a way of escaping through the looking glass into a secure and prosperous world of cheerfulness and optimism. But the shock I got was twice as traumatic as anything being recounted in the news columns or bulletins.

I like advertisements. I am chic enough to call them adverts. And I like the glossy folk who work in *advertising agencies*. In the past, many a shot-riddled grouse did I knife into while lunching with the chairmen or the creative directors of London's hottest agencies. (I avoided the media directors, who purchase time and space; they are sweaty and aggressive and are often sick on the carpet).

The advert that sent my spirits plunging was a newspaper ad for Mercedes. There was a headline: "One day you will own a Mercedes. Why wait?" And it was written in those short, zingy, hairy-chested paragraphs that are deceptively easy to imitate but which require – take my word – the skills of a punk-tonsured, bejewelled and ear-ringed copywriter who lives in an Elizabethan watermill, owns a helicopter and is attended, at every twist and turn of his 28-year-old life, by flunkies and catwalk creatures of unsurpassed exoticness.

It started:

Some of you out there have told us you want a Mercedes.

But not just now.

"Chance would be a fine thing," you mutter.

Or, more to the point, "I can't afford one at the moment.

HAWKS & HANDSAWS

You might even remark, "I'm not old enough yet."

What have we done to deserve such back-handed compliments?

Has our reputation for the highest quality also given us a reputation for the highest prices?

There was more in like vein, with all the right trigger-words: *reliability, durability, high resale value, safety, crumple zones, ABS brakes, unique*. We were told there are 36 models of Mercedes to choose from, and that current UK prices range from £16,830 to £88,300 (plus delivery). But then the advert got serious. Its cleverness overflowed. I was plunged into melancholy.

It doesn't take much to plunge me into melancholy. What did it this time were these three paragraphs:

No wonder that over 80 per cent of people who buy a Mercedes go on to buy another. They understand the difference between price and value.

So if you want a Mercedes, wait no more.

Our cars can last for such a long time (there's one in the Guinness Book of Records with a million miles on the clock) that if you wait too long, you may never get the chance to enjoy your second one.

At present, I drive a Rover 216S. The Rover is a British-built car. I like my Rover. Because it has 2,127 of the recognised 2,128 design faults expected in a British car, I have promised it to the Science Museum, which is understandably thrilled.

The reason I bought a Rover in the first place is because I am one of those people who imagined, wistfully, that whatever Laurel and Hardy did to wreck the economy, their efforts would be thwarted, or at any rate delayed, by those of us eccentric enough to buy British products.

A year ago, however, I decided that when the time was ripe and the Rover had gone to the Science Museum, I would sell a painting or two, cash in some options, denude my portfolio of several of its Premium Bonds, instruct Miss Lee, my executive assistant, to stop buying bloody Chanel and purchase a Merc. Only a little one, though I imagined it would have a telephone.

Then I read Mercedes' advert, and that boracic reference to people who may never enjoy a second one. They were talking about *me*. I will never enjoy a second one.

Then a worse thought occurred: *I may never enjoy a first one*, for times are truly dire. I do not mean Laurel and Hardy. I mean everything around. In the view of Alan Greenspan, most of the world is confronting a bout of severe asset deflation which policymakers have little or no chance of correcting, heralding a recession whose like we have not known and whose possible duration means I will never own a Mercedes.

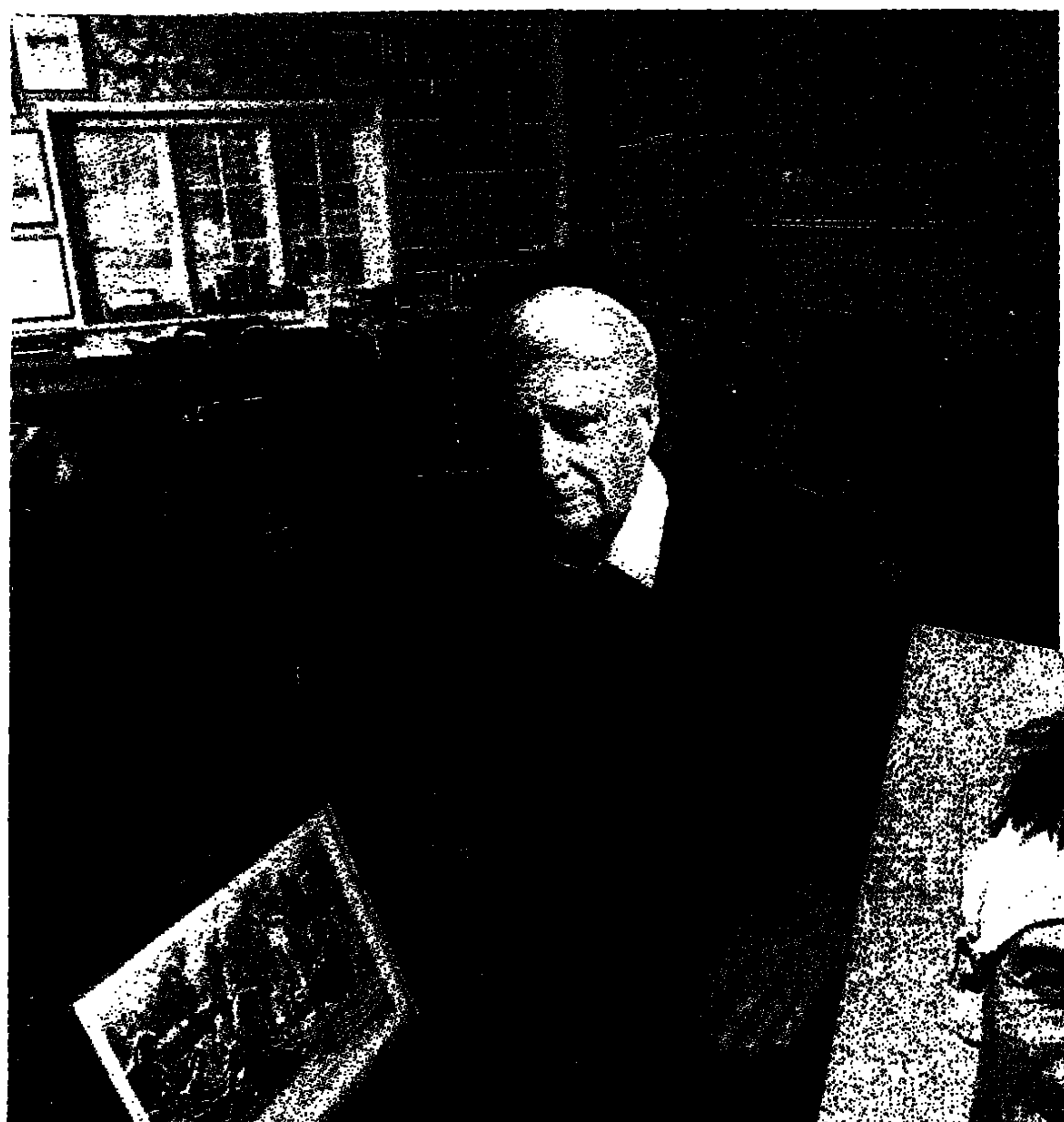
Time is whizzing by. If I live to 65, I will see 18 more springs – an unbearably finite number – 18 more autumns, 18 more Epsom Derbies and 18 more Christmas trees decorated by Miss Lee from her beautiful collection of trimmings and lights.

Ashes to ashes. What an amazing piece of copywriting.

Private View/**Christian Tyler**

The modest face of heroism

Tom Bird, a much decorated hero of the most famous clashes at Alamein, discusses how, 50 years ago, the turning-point battle of 'Snipe' changed his life



Tony Andrews

Tom Bird, retired architect and (right) after the battle at 'Snipe'

WHEN 36 old soldiers dine tonight to commemorate the 50th anniversary of the battle of Alamein, they will doubtless be transported back to the smoke and roar of the desert campaign. But does war change a man's whole life?

Among the Rifle Brigade veterans at dinner in Winchester will be Tom Bird, a retired architect. Four times wounded and three times decorated, he survived an extraordinary incident during Alamein which the regimental historian has called "the most famous of our war."

The battle at "Snipe" began with a tricky advance to Kidney Ridge on the night of October 26 1942. When dawn broke, the 300 men of the 2nd battalion Rifle Brigade, plus a detachment of Gunners, found themselves with their 19 anti-tank guns and 22 bren carriers in a shallow depression, an enemy dump occupied by corpses, excrement and flies. They were in the wrong place, too far forward and virtually surrounded.

From dawn till dusk, with nothing to eat and little to drink, the sleepless riflemen and gunners were attacked by wave after wave of German and Italian tanks. Twice during the day they were mistaken for the enemy and mercilessly shelled by their own side.

They shot 16 tanks before breakfast, and morale was lifted further when a sergeant hit another at over 1000 yards. But, as the day wore on, the battle became frantic: men and officers were jumping to the guns to replace the dead and wounded and ferrying ammunition under terrible enemy fire. At times, tanks outnumbered guns by 10 to one and were being stopped in their tracks only yards from the muzzles.

When they were finally able to withdraw at 11.15pm, with one gun in tow, the defenders of Snipe had lost 70 men killed or wounded. But they had destroyed or disabled 60 enemy tanks and guns and broken the back of Rommel's counter-attack. Such was the devastation, a special committee was appointed to check the score.

The fame of the battle spread quickly. The battalion commander, Lt Col Victor Turner, badly wounded in the head while acting as a loader, was awarded the Victoria Cross. Tom Bird, commander of the anti-tank company and also wounded in the head, won the DSO. Four other officers and 11 men were decorated.

It was not the first of Bird's exploits. In January 1941, he had been sent with a carrier platoon to create a diversion behind Italian-occupied Tobruk. Finding modest resistance behind the wire, he pressed on through the defences, capturing 2,000 prisoners and 49 guns. He won the Military Cross.

At Sidi Rezegh in November, he was wounded in the ankle. The next year, he led a night raid on the Italian lines at Gebel Khalakh. Crossing 2,700 yards of moonlit desert under fire, he captured a dozen prisoners and an anti-tank gun with the loss of only one man. He was given a bar to his MC. He was not decorated, however, for getting a supply convoy into – and out of – a besieged Free French garrison at Bir Hacheim, nor for his frequent night patrols behind enemy lines.

I asked Bird if he had known in advance how he would behave under fire.

"No, I don't think you do know. It's rather a relief to find, however frightened you are, that you can appear reasonably calm. Creeping around behind the enemy lines in the middle of the night I found far more frightening, really, than trying to remain calm under attack."

Did you think Snipe was your last day on earth?

He laughed. "I think probably, yes. No, you never really think that. It did appear we were being fired at all day from every direction. At the end I looked upon it in a rather different light than people do now. My second in command, Hugo Salmon, had been killed. Four of my officers and I had been wounded and we'd lost all our guns. So it didn't seem like much of a victory."

Because of his wounds, and through a family friendship, the young major was appointed ADC to General Wavell, now commander-in-chief, Far East, in Delhi. Leaving behind the heat, sand and flies, he found himself in a house with 113 servants. "But I found the change not difficult to adjust to." He smiled. "Within a week or so, you were just rather indignant if your martini wasn't ready when you wanted it."

After briefly rejoining the battalion to command a dash to Beirut to quell a riot, Bird was given home leave. His father, who had been seriously wounded in both legs at Gallipoli in the first war, was ill. The son became an infantry instructor at Barnard Castle, Yorkshire. But after seven months, and with the army now in northern Europe, Bird felt he should be fighting again.

He joined the 8th battalion on the Albert Canal in Belgium. Two days later, driving through a village under heavy fire, he got out of his vehicle to help a wounded bren gunner. He was instantly pierced through the back, chest and leg by a shrapnel burst. Rescued under cover of a smokescreen, he joined the critical list.

Bird was lucky. He ended the war as ADC to Field-Marshal "Jumbo" Wilson at the British mission in Washington. There he fell in love with Alice Hunsaker, daughter of a distinguished Bostonian aeronautical engineer, and married her.

Gentle humour, not heroics, is what distinguishes Tom Bird. He is a man whose eyes seem always alight; when his voice slows and tails off, it is a sure sign that a joke is coming up. But there is nothing artificial about his singular brand of humorous understatement.

As a Winchester schoolboy (many Rifle Brigade officers were there or at Eton, as most of the men were from London's East End), he learned to draw and thought of becoming a painter. He seemed to take after his uncle Kenneth, *nom de plume* "Fougasse," the cartoonist and former editor of Punch. But he also opened the batting for his school cricket team. "I suppose my Walter Mitty dream would be to open the innings for England against Australia," he said slowly. "At Lord's." He went climbing and skiing in the Swiss Alps. "It was supposed to be about 'the majesty of the mountains' and so on. But I think there is no doubt that what I enjoyed was taking the risks."

After school he studied architecture in London, joining the Rifle Brigade reserves because he was convinced after Munich that war was imminent and his father advised him it was best to sign up early. His elder brother, Edward, had chosen the same regiment. But Edward was killed at Calais early in the war. Tom was in the desert when he heard.

"You asked what changed my life most," he said. "I think my brother being killed changed my life the most. We did everything together. I hadn't been able to imagine life without him . . . I think for a time after that I didn't mind too much what happened to me, either."

After the war, Bird went back to architectural school; he described how the student-colonels would intimidate the lecturers from the front row. Then he went into partnership with another young architect, Richard Tyler, a sapper who had lost a leg at the battle of Sidi Rezegh and whom he had met in Heliopolis hospital near Cairo.

I asked Bird if peace had come as an anti-climax after wartime celebrity. "Snipe wasn't that famous then. It has become famous in a way because it was the turning point of Alamein, which has been regarded as the turning point of the war. But I didn't suffer from being a celebrity, I can assure you of that."

He likes talking about the war and has felt more free to do so as he has got older. (He is now a very fit-looking 74). "I remembered about old soldiers binding on about the war. So I hope I don't. It helps to have a wife with a different background – who was not brought up as a Wykehamist." He laughed. "And then to have children who don't mind what they say to you. I hope they have prevented me from becoming too pompous.

"Nonetheless, even now, I suppose most of my most interesting experiences were during the war. Therefore, when I reminisce it tends to be about them."

Bird has two sons, Tony and Nicky, and a daughter, Sarah. I asked: do your sons feel they missed something?

"I should be very surprised indeed if they thought that."

Do *you* think they missed something?

"No. They missed an experience, but there are lots of other experiences."

Were you never tempted to criticise the peacetime generation?

"That is not how I felt, no. One of the things I'm grateful for is that, when it came to the point, most of us didn't have any trouble in deciding it was a war worth fighting. But I don't think that entitled us to have any particular views about what the next generation should do . . . or *I* certainly didn't."

Was the war the high point?

"No, I think I have been very fortunate in my life. I had a job which I enjoyed doing, a partner with whom I got on very well, and a wife and family with whom I continue to have a lot of fun.

"There were things I told myself during the war. I'll never go camping again, I'll never get up before dawn again, and I'm absolutely never going to put on a white tie and a boiled shirt again. I remember promising myself, even during Snipe: If I live through today, I shall never, never go to a dance again.

"But it isn't true of, course, because since then I have rather enjoyed going camping and enjoyed seeing the dawn – though I certainly haven't enjoyed going to dances."

Do war veterans share a secret incomprehensible to the rest of us?

"Well, they are probably among my best friends, and we do have a nice time together."

But is your experience incommunicable?

"I doubt it. I suppose if you have been on an adventure, then that adventure will always be special to those people, like a party climbing Kanchenjunga. But it wouldn't have to be a war.

"Mostly, we did what we were told. I just happened to be somewhere where I did what I was told. And it just happened I was told to do something rather unpleasant and risky. But I don't think I went far beyond the call of duty, which I think Vic Turner did. He always had to be in the middle of absolutely everything."

What about the feeling of having done one's bit: that you have earned that extra bottle of wine at dinner?

He laughed. "No, that's not why I have the extra bottle of wine. I don't feel that I have deserved anything special. It was just something that happened in my time."

Despatches/**Franschhoek**

Whites face a coloured future

***Patti Waldmeir** feels the winds of change in a South African town*

KAREL PEPLER stands unsmiling behind the counter of his immaculate butcher shop in the pristine white town of Franschhoek in the Cape, and tries to find something positive to say about Frank Arendse. He is the small, brown man who has just become the first non-white mayor of a white town in South Africa.

It is obviously difficult for Pepler, a prosperous Afrikaner, to believe that a "coloured" (mixed race) farm labourer's son now wears the mayoral chain of a town ruled by whites since Huguenot refugees first settled in this spectacular cul-de-sac of the Franschhoek mountains in 1694. He is not alone in this – either in Franschhoek or in the rest of South Africa, where local government integration will eventually mean black, brown or Indian mayors in almost all towns.

History, of course, is on Pepler's side: his is the name recorded on the tombstones in the old church graveyard, where the frontier families who founded Franschhoek are buried, while the "coloured" population rates hardly a mention in the official town history. It notes merely that, in 1875, "it was decided to establish a separate coloured congregation" of the local church, and that the congregation's first pastor, the Rev. Haylett, "had to use great tact in persuading the three remaining coloured families adhering to the parent congregation to join the mission (coloured) congregation."

Three-quarters of a century later, in the 1950s, Franschhoek's leaders abandoned tact altogether and removed coloured residents forcibly from their houses in the town – with its gables and its wrought-iron, a gem of Cape Dutch architecture – to Groendal, a site about 1km distant where the houses are cheap and crowded and the streets are dirt or mud. Power and prosperity remained in the white town, with its lovely vistas of granite mountains and vineyards.

Now, almost 300 years after the first Huguenot settlement, history has driven Franschhoek to find a new political centre of gravity: among coloureds, who outnumber whites by 3,500 to 1,000, and to whom power will pass in a post-apartheid South Africa. The whites of Franschhoek (along with most in South Africa) have seen the future, and they know it is non-white.

They have little choice: in Pepler's butchery, the clients are coloured and the shop assistant is coloured. Only Pepler is white. He assures me that many town residents oppose the idea of a coloured mayor (his neighbours say he is one of them, although he is too clever to say so to a journalist). Pepler's argument is more subtle: Arendse is inexperienced, he says, dismissing the whole issue by arguing that it hardly matters who is mayor of Franschhoek, anyway – the real power lies with the town clerk.

Arendse reckons, though, that about 80 per cent of whites support him, and a straw poll of whites shopping in the high street on a sunny afternoon this week suggested he probably was right.

Certainly, there was nothing to force white Franschhoek to choose a coloured mayor: until one month ago, the town council was all-white and always elected a mayor from its ranks. Last month, however, the administrator of the Cape province granted Franschhoek permission to merge the white council and the coloured "management committee" which advised the council on coloured affairs, creating one of South Africa's first multi-racial local councils. Arendse was elected from the enlarged council on September 28, with votes from six coloured councillors and two whites (probably those who are members of the liberal Democratic party).

A modest man who smiles nervously when speaking publicly (especially in English, his second language after Afrikaans), Arendse says he feels keenly the pressure to perform. "If I can't deliver the goods, then the whole idea of one (multi-racial) council can be a flop in other parts of the country. All the eyes are on me: can a coloured man run a town?"

Most whites say they are happy for him to try – so long as he does not support the African National Congress (ANC). The new mayor has assured them that he is no radical – he was a prison warder for 13 years at the same jail where Nelson Mandela spent his last years in captivity, and has since built up his own liquor and disco business in the township – but his friends say his sympathies are with the ANC (which, to his annoyance, has condemned him as a puppet because he was not elected democratically.

Still, Pepler thinks nothing much will change in Franschhoek: the white council already was spending 70 per cent of the town budget on upgrading the coloured township (whites fund three-quarters of the budget with residential and commercial rates), and Arendse says it will be difficult to spend more without funding from outside, perhaps from overseas.

Grudgingly, Pepler concedes the new mayor could prove a success, especially as there are "lots of people (ie, whites) on the council to help him." Does that mean he is ready for a black man as president? "That's another thing altogether," says the butcher, demonstrating that even if one irrational prejudice can be overcome, others remain.

"We're used to coloureds," he explains. "But blacks? No, we're not used to the blacks at all." And that means Nelson Mandela.